



City of Fairfax, Virginia

City Council Regular Meeting

Agenda Item # _____

City Council Meeting _____

TO: Honorable Mayor and Members of City Council

FROM: Robert Sisson, City Manager

SUBJECT: Resolution Authorizing the Issuance and Sale of General Obligation School Bonds in the Maximum Principal Amount of \$44,800,000

ISSUE (S): Whether or not to approve a resolution which authorizes the sale of general obligation public improvement bonds

SUMMARY: This action is the next step required for the second bond issuance, relating to the \$86,800,000 general obligation bond referendum. The voters authorized the bond referendum on November 2, 2004 for improvements to Fairfax High School and Lanier Middle School. Following the referendum the City issued \$42,000,000 of GO bonds in December 2005 representing the first phase of funding for school improvements. As a result of rising interest rates and the condensed construction timeline for Fairfax High School City Staff and its financial advisors recommend that the balance of the referendum (\$44,800,000) be issued in November 2005.

FISCAL IMPACT: It is anticipated that this bond sale in the amount of \$44,800,000 will occur in November 2005, however debt service payments wont become payable until FY2006-07.

RECOMMENDATION: Approve the resolution authorizing the issuance and sale of general obligation school bonds in the amount of \$44,800,000.

ALTERNATIVE COURSE OF ACTION: Do not approve the resolution, which would halt the process.

RESPONSIBLE STAFF/POC: Dave Hodgkins, Director of Finance

COORDINATION: Robert Sisson, City Manager, Davenport & Co., Financial Advisor, Hunton & Williams, Bond Counsel

ATTACHMENTS: Staff memo dated October 19, 2005
Bond Resolution
Preliminary Official Statement
Sample Motion

To: Robert Sisson, City Manager
From: Dave Hodgkins, Director of Finance
Date: 10/20/2005
Re: Bond Resolution for General Obligation School Bonds

The attached bond resolution authorizes the sale of the general obligation school bonds. The current schedule anticipates a sale of these bonds on November 9, 2005 by competitive bid. Closing and receipt of funds would be on or about November 23, 2005.

The resolution authorizes you to award the bonds within the parameters set by City Council in the bond resolutions. Those parameters are that the aggregate principal amount would not exceed \$44,800,000, the maturity would be no longer than 30 years and the net interest cost would be no greater than 6 percent. Current rates for these bonds would be less than 5 percent.

RESOLUTION NO. R-_____

**RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF
GENERAL OBLIGATION SCHOOL BONDS OF THE CITY OF
FAIRFAX, VIRGINIA, IN THE MAXIMUM PRINCIPAL
AMOUNT OF \$44,800,000, HERETOFORE AUTHORIZED, AND
PROVIDING FOR THE FORM, DETAILS AND PAYMENT
THEREOF**

WHEREAS, the issuance of general obligation school bonds of the City of Fairfax, Virginia (the “City”), in the maximum principal amount of \$86,800,000 was approved by the qualified voters of the City at an election held on November 2, 2004, to finance a program of capital improvement projects for the public school system of the City (the “Project”); and

WHEREAS, on December 21, 2004, the City issued and sold \$42,000,000 of such bonds designated “General Obligation School Bonds, Series 2004;” and

WHEREAS, it has been recommended to the Council of the City (the “City Council”), by a representative of Davenport & Company LLC, the City’s financial advisor (the “Financial Advisor”), that the City issue and sell the remainder of the bonds approved at the above-referenced election as a single issue of general obligation school bonds in the maximum principal amount of \$44,800,000;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE
CITY OF FAIRFAX, VIRGINIA:**

1. Authorization for Issuance and Sale. The City hereby provides for the issuance and sale, pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, of general obligation school bonds of the City to finance the costs of the second phase of the Project and to pay costs incurred in connection with issuing such bonds.

2. Bond Details. The bonds shall be designated “General Obligation School Bonds, Series 2005” (the “Bonds”), or such other designation as may be determined by the City Manager, shall be dated such date as determined by the City Manager, shall be in registered form, in denominations of \$5,000 and integral multiples thereof, and shall be numbered R-1 upward. Subject to Section 8, the issuance and sale of the Bonds are authorized on terms as shall be satisfactory to the City Manager; provided, however, that the Bonds (a) shall be issued in an aggregate principal amount not to exceed \$44,800,000, (b) shall bear interest at a “true” or “Canadian” interest cost not to exceed 6.0% per year (taking into account any original issue discount or premium), (c) shall be sold at a price not less than 98.0% of the original aggregate principal amount thereof (excluding any original issue discount), and (d) shall mature, or be subject to mandatory sinking fund redemption, in annual installments beginning no later than December 31, 2008, and ending no later than December 31, 2037. Principal of the Bonds shall be payable annually on dates determined by the City Manager.

Each Bond shall bear interest at such rate as shall be determined at the time of sale, payable semiannually on dates determined by the City Manager, calculated on the basis of a 360-

day year of twelve 30-day months. Principal and premium, if any, shall be payable to the registered owners upon surrender of Bonds as they become due at the office of the Registrar (as hereinafter defined). Interest shall be payable by check or draft mailed to the registered owners at their addresses as they appear on the registration books kept by the Registrar on a date prior to each interest payment date (the "Record Date") that shall be determined by the City Manager. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America.

Initially, one Bond certificate for each maturity of the Bonds shall be issued to and registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. The City has heretofore entered into a Letter of Representations relating to a book-entry system to be maintained by DTC with respect to the Bonds. "Securities Depository" shall mean DTC or any other securities depository for the Bonds appointed pursuant to this Section.

In the event that (a) the Securities Depository determines not to continue to act as the securities depository for the Bonds by giving notice to the Registrar, and the City discharges its responsibilities hereunder, or (b) the City in its sole discretion determines (i) that beneficial owners of Bonds shall be able to obtain certificated Bonds or (ii) to select a new Securities Depository, then its chief financial officer shall, at the direction of the City, attempt to locate another qualified securities depository to serve as Securities Depository and authenticate and deliver certificated Bonds to the new Securities Depository or its nominee, or authenticate and deliver certificated Bonds to the beneficial owners or to the Securities Depository participants on behalf of beneficial owners substantially in the form provided for in Section 5; provided, however, that such form shall provide for interest on the Bonds to be payable (A) from the date of the Bonds if they are authenticated prior to the first interest payment date, or (B) otherwise from the interest payment date that is or immediately precedes the date on which the Bonds are authenticated (unless payment of interest thereon is in default, in which case interest on such Bonds shall be payable from the date to which interest has been paid). In delivering certificated Bonds, the Director shall be entitled to rely on the records of the Securities Depository as to the beneficial owners or the records of the Securities Depository participants acting on behalf of beneficial owners. Such certificated Bonds will then be registrable, transferable and exchangeable as set forth in Section 7.

So long as there is a Securities Depository for the Bonds (a) it or its nominee shall be the registered owner of the Bonds, (b) notwithstanding anything to the contrary in this Resolution, determinations of persons entitled to payment of principal, premium, if any, and interest, transfers of ownership and exchanges and receipt of notices shall be the responsibility of the Securities Depository and shall be effected pursuant to rules and procedures established by such Securities Depository, (c) the Registrar and the City shall not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Securities Depository, its participants or persons acting through such participants, (d) references in this Resolution to registered owners of the Bonds shall mean such Securities Depository or its nominee and shall not mean the beneficial owners of the Bonds, and (e) in the event of any inconsistency between the provisions of this Resolution and the provisions of the above-referenced Letter of Representations such provisions of the Letter of Representations, except to the extent set forth in this paragraph and the next preceding paragraph, shall control.

3. Redemption Provisions. The Bonds may be subject to redemption prior to maturity at the option of the City on or after dates, if any, determined by the City Manager, in whole or in part at any time at a redemption price equal to the principal amount of the Bonds to be redeemed, together with any accrued interest to the date fixed for redemption plus a redemption premium not to exceed 2.0% of the principal amount of the Bonds to be redeemed, such redemption dates and premium to be determined by the City Manager.

Any term bonds may be subject to mandatory sinking fund redemption as determined by the City Manager.

If less than all of the Bonds are called for redemption, the maturities of the Bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as he may determine to be in the best interest of the City. If less than all the Bonds of a particular maturity are called for redemption, the Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000. The City shall cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of the Bonds. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository then serving or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

4. Execution and Authentication. The Bonds shall be signed by the manual or facsimile signature of the Mayor of the City, and the City's seal shall be affixed thereto or a facsimile thereof printed thereon and attested by the manual or facsimile signature of the City Clerk or Deputy City Clerk; provided, however, that if both of such signatures are facsimiles, no Bond shall be valid until it has been authenticated by the manual signature of an authorized officer or employee of the Registrar and the date of authentication noted thereon.

5. Bond Form. The Bonds shall be in substantially the following form, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officers signing the Bonds, whose approval shall be evidenced conclusively by the execution and delivery of the Bonds:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange, or payment, and any certificate is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of

DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED

REGISTERED

No. R-__

\$_____

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF FAIRFAX

General Obligation School Bond, Series 2005

INTEREST RATE

MATURITY DATE

DATED DATE

CUSIP

_____%

[January 15], ____

_____, 2005

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

DOLLARS

The City of Fairfax, Virginia (the “City”), for value received, promises to pay, upon surrender hereof, to the registered owner hereof, or registered assigns or legal representative, the principal sum stated above on the maturity date stated above, subject to prior redemption as hereinafter provided, and to pay interest hereon semiannually on each [January 15 and July 15], beginning [July 15, 2006], at the annual rate stated above, calculated on the basis of a 360-day year of twelve 30-day months. Principal, premium, if any, and interest are payable in lawful money of the United States of America by the City Treasurer, who has been appointed paying agent and registrar for the bonds, or at such bank or trust company as may be appointed as successor paying agent and registrar by the City (the “Registrar”).

Notwithstanding any other provision hereof, this bond is subject to a book-entry system maintained by The Depository Trust Company (“DTC”), and the payment of principal, premium, if any, and interest, the providing of notices and other matters shall be made as described in the City’s Letter of Representations to DTC.

This bond is one of an issue of \$_____ General Obligation School Bonds, Series 2005, of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity, and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991. The Bonds were approved by the qualified voters of the City at referendum held on November 2, 2004, and are authorized by a resolution adopted by the Council of the City (the “City Council”) on [October 25, 2005], to finance the cost of the first phase of capital improvement projects for the City’s public school system and to pay costs of issuing the bonds.

Bonds maturing on or before [January 15], ____, are not subject to redemption prior to maturity. Bonds maturing on or after [January 15], ____, are subject to redemption prior to maturity at the option of the City on or after [January 15], ____, in whole or in part (in any multiple of \$5,000) at any time, upon payment of 100% of the principal amount of bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

[Bonds maturing on [January 15], ____, are required to be redeemed in part before maturity by the City on January 15 in the years and amounts set forth below, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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If less than all of the bonds are called for redemption, the maturities of the bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as he may determine to be in the best interest of the City. If less than all the bonds of a particular maturity are called for redemption, the bonds within such to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting bonds for redemption, each bond shall be considered as representing that number of bonds that is obtained by dividing the principal amount of such bond by \$5,000. The City shall cause notice of the call for redemption identifying the bonds or portions thereof to be redeemed to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner hereof. If a portion of this bond is called for redemption, a new bond in the principal amount of the unredeemed portion hereof will be issued to the referenced owner upon surrender hereof.

The full faith and credit of the City are irrevocably pledged for the payment of principal of and premium, if any, and interest on this bond. Unless other funds are lawfully available and appropriated for timely payment of this bond, the City Council shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and premium, if any, and interest on this bond.

The Registrar shall treat the registered owner of this bond as the person exclusively entitled to payment of principal of and premium, if any, and interest on this bond and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the first day of the month of each interest payment date.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of

this bond have happened, exist and have been performed, and the issue of bonds of which this bond is one, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the City Council of the City of Fairfax, Virginia, has caused this Bond to be issued in the name of the City of Fairfax, Virginia, to be signed by its Mayor, its seal to be affixed hereto and attested by the signature of the City Clerk, and this bond to be dated _____, 2005.

ATTESTED:

City Clerk, City of Fairfax, Virginia

(SEAL) _____
Mayor, City of Fairfax, Virginia

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sell(s), assign(s) and transfer(s) unto _____
(Please print or type name and address, including postal zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE:

:
:
:
:

the within bond and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney,
to transfer said bond on the books kept for the registration thereof, with full power of substitution
in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union, or Savings Association who is a member of a medallion program approved by The Securities Transfer Association, Inc.

(Signature of Registered Owner

NOTICE: The signature above must correspond with the name of the registered owner as it appears on the front of this bond in every particular without alteration or enlargement or any change whatsoever.

6. Pledge of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of principal of and premium, if any, and interest on the Bonds. Unless other funds are lawfully available and appropriated for timely payment of the Bonds, the City Council shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and premium, if any, and interest on the Bonds.

7. Registration, Transfer and Owners of Bonds. The City Treasurer is appointed paying agent and registrar for the Bonds (the “Registrar”). The City may appoint at any time a qualified bank or trust company as successor Registrar. The Registrar shall maintain registration books for the registration and registration of transfers of Bonds. Upon presentation and surrender of any Bonds at the office of the Registrar, or its corporate trust office if the Registrar is a bank or trust company, together with an assignment duly executed by the registered owner or his duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the City shall execute and the Registrar shall authenticate, if required by Section 4, and deliver in exchange, a new Bond or Bonds having an equal aggregate principal amount, in authorized denominations, of the same form and maturity, bearing interest at the same rate, and registered in names as requested by the then registered owner or his duly authorized attorney or legal representative. Any such exchange shall be at the expense of the City, except that the Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Registrar shall treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as owner on the registration books as of the Record Date.

8. Sale of Bonds. The City approves the following terms of the sale of the Bonds. The Bonds may be sold by competitive bid, and the City Manager, in collaboration with the Financial Advisor, shall receive bids for the Bonds and award the Bonds to the bidder providing the lowest “true” or “Canadian” interest cost, all subject to the limitations set forth in Section 2. The City Council further authorizes the City Manager, in collaboration with the Financial Advisor, to (a) reduce the aggregate principal amount of the Bonds, (b) determine the maturity schedule of the Bonds, subject to the limitations set forth in Section 2, (c) establish the redemption provisions, if any, for the Bonds, subject to the limitations set forth in Section 3, and (d) determine the dated date, maturity dates, interest payment dates and Record Date for the Bonds. Following the sale of the Bonds, the City Manager shall file a certificate with the City Clerk setting forth the final terms and purchase price of the Bonds. The actions of the City Manager in selling the Bonds shall be conclusive, and no further action shall be necessary on the part of the City Council.

9. Notice of Sale. The City Manager, in collaboration with the Financial Advisor, is authorized and directed to take all proper steps to advertise the Bonds for sale substantially in accordance with the form of Notice of Sale attached as Appendix D to the Preliminary Official Statement (referred to in Section 10 below), which is approved; provided that the City Manager, in collaboration with the Financial Advisor, may make such changes in the Notice of Sale not

inconsistent with the provisions of this Resolution as he may consider to be in the best interest of the City. The distribution of the Notice of Sale shall constitute conclusive evidence of the approval of the City Manager of any such changes.

10. Official Statement. The draft Preliminary Official Statement describing the Bonds, copies of which have been provided to the members of the City Council, is approved as the form of the Preliminary Official Statement by which the Bonds will be offered for sale, with such completions, omissions, insertions and changes not inconsistent with this Resolution as the City Manager and Director of Finance may consider appropriate. After the Bonds have been sold, the City Manager and the Director of Finance, in collaboration with the Financial Advisor, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this Resolution as are necessary or desirable to complete it as a final Official Statement, execution thereof by the City Manager to constitute conclusive evidence of his approval of any such completions, omissions, insertions and changes. The City shall arrange for the delivery to the purchaser of the Bonds of a reasonable number of copies of the final Official Statement, within seven business days after the Bonds have been awarded, for delivery to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of its group initially sell Bonds.

11. Official Statement Deemed Final. The City Manager is authorized, on behalf of the City, to deem the Preliminary Official Statement and the Official Statement in final form, each to be “final” as of its date within the meaning of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), except for the omission in the Preliminary Official Statement of certain pricing and other information permitted to be omitted pursuant to the Rule. The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed final as of its date by the City, except for the omission in the Preliminary Official Statement of such pricing and other information permitted to be omitted pursuant to the Rule.

12. Preparation and Delivery of Bonds. After bids have been received and the Bonds have been awarded, the Mayor of the City and the City Clerk are authorized and directed to take all proper steps to have the Bonds prepared and executed in accordance with their terms and to deliver the Bonds to the purchaser thereof upon payment therefor.

13. Arbitrage Covenants. The City covenants that it shall not take or omit to take any action the taking or omission of which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations issued pursuant thereto (the “Code”), or otherwise cause interest on the Bonds to be includable in the gross income for Federal income tax purposes of the registered owners thereof under existing laws. Without limiting the generality of the foregoing, the City shall comply with any provision of law that may require the City at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bonds, unless the City receives an opinion of nationally recognized bond counsel that such compliance is not required to prevent interest on the Bonds from being includable in the gross income of the registered owners thereof under existing law. The City shall pay any such required rebate from its legally available funds.

14. Non-Arbitrage Certificate and Elections. Such officers of the City as may be requested are authorized and directed to execute an appropriate certificate setting forth the expected use and investment of the proceeds of the Bonds and any elections such officers deem desirable regarding rebate of earnings to the United States, for purposes of complying with Section 148 of the Code. Such certificate and elections shall be in such form as may be requested by bond counsel for the City.

15. SNAP Investment Authorization. The City Council has received and reviewed the Information Statement (the "Information Statement"), describing the State Non-Arbitrage Program of the Commonwealth of Virginia ("SNAP") and the Contract Creating the State Non-Arbitrage Program Pool I (the "Contract"), and the City Council has determined to authorize the Treasurer to have the option to utilize SNAP in connection with the investment of the proceeds of the Bonds. The City Council acknowledges that the Treasury Board of the Commonwealth of Virginia is not, and shall not be, in any way liable to the City in connection with SNAP, except as otherwise provided in the Contract.

16. Private Activity Bond Covenant. The City covenants that it shall not permit the proceeds of the Bonds or the facilities financed with the proceeds of the Bonds to be used in any manner that would result in (a) 5% or more of such proceeds or the facilities financed with such proceeds being used in a trade or business carried on by any person other than a governmental unit, as provided in Section 141(b) of the Code, (b) 5% or more of such proceeds or the facilities financed with such proceeds being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141(b)(4) of the Code, or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any persons other than a governmental unit, as provided in Section 141(c) of the Code; provided, however, that if the City receives an opinion of nationally recognized bond counsel that any such covenants need not be complied with to prevent the interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the City need not comply with such covenant.

17. Continuing Disclosure. The Mayor, the City Manager and such officer or officers of the City as either may designate are hereby authorized and directed to execute a continuing disclosure agreement (the "Continuing Disclosure Agreement") setting forth the reports and notices to be filed by the City and containing such covenants as may be necessary to assist the purchaser of the Bonds in complying with the provisions of the Rule. The Continuing Disclosure Agreement shall be substantially in the form presented to this meeting with such completions, omissions, insertions and changes that are not inconsistent with this Resolution as the Mayor and City Manager may consider appropriate. The execution thereof by such officers shall constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes.

18. Other Actions. All other actions of officers of the City in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds are approved and confirmed. The officers of the City are authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the issuance, sale and delivery of the Bonds.

19. Repeal of Conflicting Resolutions. All resolutions or parts of resolutions in conflict herewith are hereby repealed.

20. Effective Date. This Resolution shall take effect immediately.

ADOPTED THIS 25ST DAY OF OCTOBER, 2005.

Mayor, City of Fairfax, Virginia

ATTEST:

City Clerk, City of Fairfax, Virginia

In the opinion of Bond Counsel, under current law and subject to conditions described in the section "Tax Exemption," interest on the Bonds (1) will not be included in gross income for Federal income tax purposes, (2) will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations, and (3) will be exempt from income taxation by the Commonwealth of Virginia. Such interest may be included in the calculation of a corporation's alternative minimum income tax, and a holder may be subject to other Federal income tax consequences as described in the section "Tax Exemption."

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: Moody's: "___"
S & P: "___"
(see "Ratings" herein)**

CITY OF FAIRFAX, VIRGINIA
\$44,800,000*
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2005

Dated: Date of Issuance

Due: _____, as shown on the inside cover

This Official Statement has been prepared by the City of Fairfax, Virginia (the "City"), to provide information on the Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security

The Bonds will be general obligations of the City for the payment of which the City's full faith and credit will be irrevocably pledged. The City Council will be authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the County sufficient to pay principal of and interest on the Bonds, as the same respectively become due and payable.

Redemption

The Bonds are subject to optional redemption as set forth herein.

Purpose

The Bonds are being issued to provide funds, together with other available funds, to undertake the first phase of a program of capital improvement projects for the public school system of the City.

Interest Rates/Yields

See inside cover.

Interest Payment Dates

[January 15 and July 15], beginning [July 15, 2006].

Denomination

\$5,000 or integral multiples thereof.

Regular Record Date

The first day of the month in which each interest payment date occurs.

Closing/Delivery Date

On or about _____, 2005.

Registration

Book-entry only through the facilities of The Depository Trust Company, New York, New York.

Bond Counsel

Hunton & Williams LLP, Richmond, Virginia.

City Attorney

Brian J. Lubkeman, Esquire.

**Conditions Affecting
Issuance**

The Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of Hunton & Williams LLP.

The date of this Official Statement is _____, 2005.

*Preliminary, subject to change.

MATURITY SCHEDULE

CITY OF FAIRFAX, VIRGINIA

\$44,800,000* GENERAL OBLIGATION SCHOOL BONDS, SERIES 2005

Year ([January 15])	<u>Amount*</u>	Interest <u>Rate</u>	Yield or <u>Price</u>	CUSIP <u>No.</u>
	\$			

*Preliminary, subject to change.

CITY OF FAIRFAX, VIRGINIA

CITY COUNCIL

Robert F. Lederer, *Mayor*
Joan W. Cross
Jeffrey C. Greenfield
Gail C. Lyon
Patrice M. Winter
Gary Rasmussen
R. Scott Silverthorne

STAFF

Robert L. Sisson, *City Manager*
MaryClare Maslyn, *Assistant City Manager*
Stephen L. Moloney, *Treasurer*
William Page Johnson II, *Commissioner of the Revenue*
Gail A. Bohan, *Director of Information Technology*
Michael B. Cadwallader, *Director of Parks and Recreation*
David Hodgkins, *Director of Finance*
Thomas W. Owens, *Fire Chief*
John Boryschuk, *Director of Utilities*
John Veneziano, *Director of Public Works*
Richard Rappoport, *Chief of Police*
George E. Stepp, *Superintendent of Schools*
Brian J. Lubkeman, *City Attorney*
David B. Hudson, *Director of Community Development and Planning*

ADVISORS

Hunton & Williams LLP, *Bond Counsel*
Davenport & Company LLC, *Financial Advisor*
PBGH, LLP, *Certified Public Accountants*

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof or imply that any information herein is accurate or complete as of any later date.

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Appendix A - Financial Statements for Fiscal Year ending June 30, 2004

Appendix B - Form of Bond Counsel Opinion

Appendix C - Form of Continuing Disclosure Agreement

Appendix D - Official Notice of Sale and Bid Form

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OFFICIAL STATEMENT

CITY OF FAIRFAX, VIRGINIA

\$44,800,000* GENERAL OBLIGATION SCHOOL BONDS, SERIES 2005

Introduction

The purpose of this Official Statement, including the cover page and Appendices hereto, is to furnish information in connection with the sale by the City of Fairfax, Virginia (the "City"), of its \$44,800,000* General Obligation School Bonds, Series 2005 (the "Bonds"), dated the date of issuance. Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

The Bonds will be offered for sale through competitive bidding on _____, __ 2005. The Official Notice of Sale dated _____, 2005, relating to the Bonds and describing the competitive bidding process, is included herein as Appendix D.

Authorization and Purpose of Bonds

The Bonds have been authorized by referendum held on November 2, 2004, and a resolution adopted by the City Council on October 25, 2005 (the "Bond Resolution"), and are issued pursuant to the Public Finance Act of 1991 (Chapter 26, of Title 15.2, of the Code of Virginia of 1950, as amended).

The Bonds are being issued to provide funds, together with other available funds, to undertake the second phase of a program of capital improvement projects for the public school system of the City.

The proceeds received from the sale of the Bonds are expected to be applied as follows:

Sources of Funds:

Par Amount of Bonds	\$
Net Original Issue Premium	
Accrued Interest	
Estimated Construction Earnings ⁽¹⁾	
Total Sources	\$

Uses of Funds:

Deposit to Construction Fund	\$
Costs of Issuance (including underwriter's compensation)	
Accrued Interest	
Total Uses	\$

⁽¹⁾ Assumes an interest rate of ____% and a draw schedule provided by the City.

Form of the Bonds

The Bonds will be issued in fully registered form in multiples of \$5,000 or any whole multiple thereof. The City Treasurer will act as Registrar for the Bonds. Interest on the Bonds at the rates set forth on the inside cover

*Preliminary, subject to change.

page will be paid beginning [July 15, 2006], and semiannually on [January 15] and [July 15]. Interest on the Bonds shall be payable by check or draft mailed to the holders as of the first day of the month prior to each interest payment date, at their addresses as they appear on the registration books kept by the Registrar.

Book-Entry-Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation ("NSCC," "GSCC," "MBSCC" and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City has no responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (B) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (C) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder of Bonds for all purposes under the Bond Resolution.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

Optional Redemption

Bonds maturing on or before [January 15], 20__, are not subject to redemption prior to maturity. Bonds maturing on or after [January 15], 20__, are subject to redemption prior to maturity at the option of the City on or after [January 15], 20__, in whole or in part (in increments of \$5,000) at any time, upon payment of 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date fixed for redemption.

Manner of Redemption

If less than all the Bonds are called for redemption, the City's chief financial officer shall designate the Bonds to be redeemed in such manner as he may determine to be in the best interest of the City. If less than all the Bonds of any maturity are called for redemption, the Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, by the Registrar by lot. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. The City shall cause notice of redemption to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption, to the registered owner of the Bonds. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. Each notice of redemption shall identify the Bonds or portions thereof to be redeemed. Interest shall cease to accrue on any Bonds duly called for prior redemption, after the redemption date, if payment thereof has been duly provided. The Registrar shall not be required to transfer or exchange any Bond or portion thereof after the notice of redemption has been duly provided.

Security for the Bonds

The Bonds will be general obligations of the City secured by a pledge of its full faith and credit. The City Council is authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the City an ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as the same respectively become due and payable.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed with the Governor of the Commonwealth of Virginia (the "Commonwealth") by any holder of or paying agent for a general obligation bond or note in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a summary investigation and if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply such funds to payment of the defaulted principal, premium and interest.

Section 15.2-2659 also provides for notice to the registered owners of such Bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.1-227.61 or Section 15.1-225, the predecessor provisions of Section 15.2-2659, has ever been issued. Although neither Section 15.2-2659 nor its predecessor provisions have been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld pursuant to Section 15.1-277.61. The City received a total of \$_____ (unaudited) in General Fund operating revenues from the Commonwealth during the fiscal year ended June 30, 2005.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies that would be available to a bondholder if the City defaults in the payment of principal of or premium, if any, or interest on the Bonds, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the bondholders thereof upon the occurrence of such a default. Upon any default in the payment of principal, premium or interest, a bondholder may, among other things, seek to obtain a writ of mandamus from an appropriate court requiring the City Council to levy and collect taxes as described above. The mandamus remedy, however, may be

impracticable and difficult to enforce. Furthermore, the right to levy and collect taxes and to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and by equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor....” Bankruptcy Code, Section 109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have adverse effects on Bondholders, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent.” The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

The City has never defaulted in the payment of either principal or interest on any debt obligation.

Debt Services Requirement for Bonds

The following table sets forth the annual debt service requirements for the Bonds.

<u>Year</u> <u>(January 15)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
--	-------------------------	------------------------	---------------------

Total

THE CITY

Form of Government

The area now known as the City of Fairfax was first settled in the mid 1700's. It became the Fairfax County seat in 1799, and in 1805, the village was officially named the Town of Providence. In 1874 the name was changed to the Town of Fairfax. Chartered as a city in 1961, Fairfax is an independent city and is not part of the Fairfax County governmental structure.

Since 1961, the City has operated under the Council-Manager form of government, with a Mayor and six City Council members elected at large every two years. The City Treasurer and Commissioner of Revenue also are elected and serve four-year terms.

Appointed by the City Council, the City Manager directs a professional staff of 9 department heads and 366 full-time employees.

The City provides a full range of municipal services: Police, Fire and Rescue; Zoning and Planning; Licenses, Permits and Inspections; Public Transportation; Parks and Recreation; Street Maintenance and Improvements; Trash and Snow Removal.

In addition to those services and programs the City directly provides its citizens, the City contracts with Fairfax County for the following services at the following budgeted expenditures:

<u>Services</u>	<u>Expenditures for Fiscal Year 2004-2005</u>
Educational Services	\$30,338,289
Sewage Treatment	2,039,075
Health Services	776,498
Social Services	1,133,602
Library Services	783,125
County Agent Services	54,612
Joint Court, Jail and Custody Services	961,396
Refuse Disposal	425,000
Fire and Rescue Dispatch	<u>150,000</u>
Total Contracts	<u>\$36,661,597</u>

Elected Officials

Mayor Robert F. Lederer is serving his second term as mayor. He was first elected to the City Council in 1982 and served three terms in the 1980's and one term in the 1990's. He is the former President of the Fairchester Woods Civic Association and a Vice President of Cobbdale Civic Association. Mr. Lederer served as the Chairman of the Task Force for a More Livable City of Fairfax. He is the Executive Vice President of an international trade association.

Councilmember Joan W. Cross is serving her second term on the City Council. A resident of the City since 1991, Ms. Cross currently serves as chair for the board of directors for both the Central Fairfax Chamber of Commerce and the Fairfax Rotary Club. She also helped found and is chair of Destination Fairfax, a partnership between the City and local businesses to increase tourism in the City. She was named the 2004 Small Business Advocate of the Year by the Central Fairfax Chamber of Commerce and, in 1997, she received the chamber's Athena Award. Ms. Cross served on the Board of Architectural Review for ten years and chaired the board for three terms. She co-chaired the City's Independence Day Celebration Committee for two years. She represents the City on the Northern Virginia Regional Commission and is a member of the Fairfax Rotary Club. Ms. Cross is the marketing director for the certified public accounting firm of Burdette Smith Group, P.C. She is a graduate of the University of Iowa where she earned a B.A. degree in Journalism and Public Relations.

Councilmember Jeffrey C. Greenfield is serving his sixth term as a member of City Council. A lifelong resident of the City, Mr. Greenfield serves on a number of boards and commissions, including Historic Fairfax City, Inc., Local Emergency Planning Committee, Council of Governments (“COG”) Board of Directors, COG’s Metropolitan Development Policy Committee and COG’s Human Service and Public Safety Committee. A member of the 1993 Bond Referendum Task Force, Mr. Greenfield also served as the vice chair of the Fairfax 2020 Commission and was a member of that committee’s Economic Development Subcommittee. He served as vice chair of the City’s Park and Recreation Advisory Board and was vice-chair of the City’s Task Force for a More Livable City of Fairfax. A Fairfax High School graduate, he received both his B.A. degree in Political Science and his M.P.A. degree in Public Administration from George Mason University.

Councilmember Gail C. Lyon is serving her second term on the City Council. A resident of the City since 1983, Ms. Lyon currently serves on the COG Human Services and Public Safety committees and on the City’s Retirement Plan Administrative Committee. Ms. Lyon has been involved in the educational, cultural and recreational facets of the City. Her volunteer work has supported the Country Club Hills Civic Association, and the PTA’s of Daniels Run Elementary School, Lanier Middle School and Fairfax High School. She served as president of the Country Club Hills Recreation Association for three years and volunteered for the Fairfax Police Youth Club, Cub Scouts and Brownies. In addition, she has been a successful business owner in the City for many years. Ms. Lyon received her B.S. degree in early childhood education from Radford College before launching a teaching career in Spotsylvania County. Her master’s degree in social work was conferred by Virginia Commonwealth University, after which she worked briefly at the Psychiatric Institute Hospital in Washington, DC.

Councilmember Gary J. Rasmussen is serving his eighth term on City Council. A resident of the City since 1962, Mr. Rasmussen has served as Chair of the City Planning Commission and is the City Council representative to the Northern Virginia Planning District Commission and the Northern Virginia Transportation Commission. Mr. Rasmussen retired in 1999 after a 36-year career with the Federal Government with positions in both Congressional and executive offices. He was a member of the Senior Executive Service and his last position was Deputy Assistant Secretary for Vocational and Adult Education with the U.S. Department of Education. Mr. Rasmussen received his B.S. degree from the University of Wisconsin and did graduate work at the University of Chicago.

Councilmember R. Scott Silverthorne is a eight-term member of City Council. A life-long City resident, Mr. Silverthorne represents the City on the Northern Virginia Transportation Commission and has served locally on the Fairfax County Chamber of Commerce and the Northern Virginia Regional Commission. He was a lead sponsor of the City’s successful open space referendum, which created a dedicated funding source for preservation of open space in the City. Mr. Silverthorne, who is Director of Government Relations at Capital One Financial Corporation, received a degree in Business Administration from Radford University in 1988.

Councilmember Patrice M. Winter is serving her second term on the City Council and currently serves on the COG Air Quality and Water Resources committees. A resident of the City since 1986, Ms. Winter is former chair of the Commission for Women and former president of Country Club Hills Civic Association. She is active in community, business, school and church activities, including volunteering with the Noonday Optimist Club, Historic Fairfax City, Inc., scouting, Country Club Hills Summer Swim Team and Daniels Run PTA. Ms. Winter, a practicing physical therapist, established a physical therapy clinic in the City in 1988. She serves as spokesperson for American Physical Therapy Association and is on the board of directors of the Virginia Physical Therapy Association.

Treasurer Stephen L. Moloney is currently in his seventh term of office. A certified public accountant, Mr. Moloney was employed as an auditor with the U.S. Internal Revenue Service for ten years prior to being elected Treasurer. He holds a bachelor’s degree in Accounting from Mount Saint Mary’s College. Mr. Moloney is a member and Past President of the Treasurer’s Association of Virginia. Mr. Moloney received the Treasurer of the Year Award from this organization in 2001. Mr. Moloney has earned a Certified Government Treasurer’s designation.

Commissioner of the Revenue William Page Johnson, II is currently serving his third term of office. He is a fifth generation resident of the City, a graduate of the Fairfax City public schools and a graduate of George Mason University with a B.S. degree in Finance. Mr. Johnson has 20 years of financial management experience formerly serving as President of his own mortgage company, and as Vice President of GMAC Mortgage Corp. He

has attained the designation, Certified Commissioner of the Revenue (CCR), by the Weldon-Cooper Center for Public Service and the University of Virginia. Mr. Johnson is President of the Northern District Commissioner of the Revenue Association of Virginia. He is a member of the Virginia Association of Assessing Officers and Virginia Association of Locally Elected Constitutional Officers. He is President of the Fairfax County Historical Society, a board member of Historic Fairfax City, Inc. and the Fairfax Noonday Optimist Club.

Certain City Staff Members

City Manager Robert L. Sisson began his career with the City on September 16, 1991. He came to the City from Grandview, Missouri, where he served as City Administrator. He began his career in local government in 1974 as Administrative Assistant to the City Manager of Overland Park, Kansas, while attaining a Masters degree in Public Administration at the University of Kansas. He received a B.S. degree in Business Administration from Mid-America Nazarene College in Olathe, Kansas. He is active in the Rotary Club and serves as chair of the Fairfax County Salvation Army Advisory Board.

Assistant City Manager MaryClare Maslyn began her employment with the City in February 2005. Prior to coming to the City, Ms. Maslyn worked with the City of Spanish Fork, Utah. She received two associate degrees from Aims Community College in Greeley, Colorado, and furthered her education in Colorado and Utah, obtaining her B.S. and MPA degrees from Brigham Young University. Ms. Maslyn also teaches Human Resources Management at George Mason University. She served as a State of Utah child care board member and held a board position for human resources and risk management for local chapters. Her volunteer efforts range from obtaining playground equipment for at-risk youth to advising an international organization for orphans.

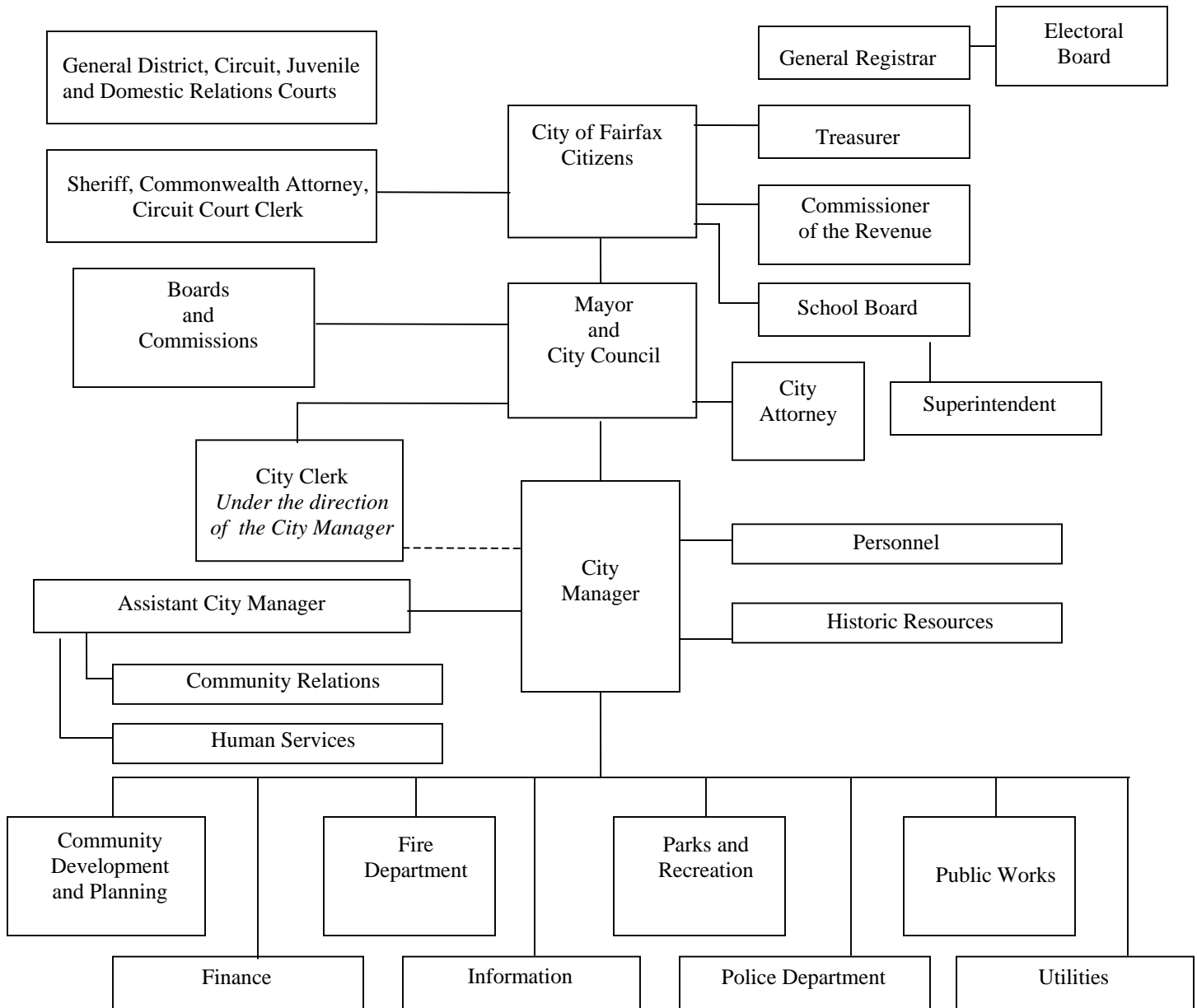
Director of Information Technology Gail A. Bohan has been with the City since March 1997. Before joining the City, she was Manager of the Information Center in the Fairfax County Department of Information Technology. Ms. Bohan received her B.A. degree in English and her Masters in Public Administration degree from George Mason University. She received her M.S. degree in Information Systems from George Washington University. Ms. Bohan is a member of the Virginia Local Government Information Technology Executives.

Director of Finance David Hodgkins has been the City's Director of Finance since 2002. He currently manages the Accounting and Finance department, the Real Estate Assessors Office and administers the City's retirement plan. His other major responsibilities include financial reporting, preparing annual operating and CIP budgets, and managing the City's annual audit. Mr. Hodgkins has over 20 years of experience in accounting, finance and business planning. As a public accountant for eight years, Mr. Hodgkins provided services ranging from auditing to financial management and business planning. During his ten-year tenure at DataNational (DN), a high-growth national marketing company, Mr. Hodgkins served as Assistant Controller, Director of Finance and Controller. Subsequently, Mr. Hodgkins became the CEO/VP of Capitol Environmental Services, Inc. (CESI), a privately held environmental company operating nationally and in Puerto Rico. For both DN and CESI, Mr. Hodgkins was responsible for all aspects of accounting, budgeting, and financial management including strategic business planning, acquisitions and business valuations. Mr. Hodgkins, a longtime resident of the City, is a Certified Public Accountant and a member of the Government Finance Officers Association and Virginia Government Financial Officers Association. Mr. Hodgkins received his B.S. degree in Public Accounting from American University in 1983.

Director of Utilities John Boryschuk was appointed to this position in 2002. He came to the City in 2000 as utilities engineer, managing the department's Capital Improvement Program. His career in the public utilities field began with the City of Philadelphia, and he has subsequently been a consultant to the water/wastewater industry and has held positions with both municipal and privately owned utilities. He graduated Drexel University in 1977 with a B.S. in Civil Engineering, and received a Masters Certificate in Project Management from George Washington University in 2000. He is a member of the American Water Works Association and the American Society of Civil Engineers.

Director of Parks and Recreation Michael B. Cadwallader, C.L.P., was appointed to that position in April of 1987. He brought to the City extensive experience in park and ball field maintenance programs, as well as special event and recreation programming. He previously was the assistant director of recreation for Loudoun County Parks and Recreation Department. He is a graduate of Virginia Commonwealth University with a B.S. degree in Recreation.

City of Fairfax Organizational Chart



Director of Community Development and Planning David B. Hudson was appointed to this position in 1995. He manages the land use planning, land development and economic development functions of the City. He began his career with the City in 1985 as Senior Planner. Prior to that time, Mr. Hudson held planning positions at the Rappahannock-Rapidan Planning District Commission, the City of Williamsburg and Stafford and York Counties. He holds a bachelor's degree in Urban Affairs/Environmental and Urban Systems from Virginia Polytechnic Institute and State University where he also studied Architecture. He subsequently completed substantial graduate work at the University of Virginia. He is a member of the American Institute of Certified Planners and the Urban Land Institute.

Fire Chief Thomas W. Owens began his career service with Prince William County (Va) Fire and Rescue in 1971. In 1978, he became the first full-time Fire Training Officer for Loudoun County (Va) Fire and Rescue Department. In 1984, he became the first full-time volunteer coordinator for the Fairfax County (Va) Fire and Rescue Department. In 1990, was appointed as the first full-time Director of Fire and Rescue for Frederick County, VA. In 1998, he accepted the position of Assistant Fire Chief – Operations for the City of Fairfax Fire Department and in July 2003, he was promoted to Fire Chief. In 1988 he received a national medal of valor from Firehouse Magazine and the silver medal of valor from the Loudoun County Chamber of Commerce. Both awards were in recognition of life-saving actions taken on the fire ground. Chief Owens holds an Associate Degree in Fire Science from the Northern Virginia Community College and a Bachelor of Arts Degree in Organizational Leadership and Development from Wheeling Jesuit University. Chief Owens is an accredited “Chief Fire Officer” through the Commission on Fire Accreditation International.

Chief of Police Colonel Richard J. Rappoport began his law enforcement career as a police officer with the Fairfax County Police Department in 1976. He rose through the ranks to become the Deputy Chief of Police in 1999. In November 2000, he was appointed Chief of Police for the City. Colonel Rappoport received a B.A. degree in Justice from American University in Washington, D.C. He is a graduate of the Southern Police Institute's 12-week Administrative Officers Course at the University of Louisville and the Federal Bureau of Investigation's National Academy at Quantico, Virginia. Colonel Rappoport has served on the Executive Boards of both the SPI and the FBINA alumni associations, and in 2000 was the President of the Virginia Chapter of the FBI National Academy Associates of Virginia. He currently serves on the Execution Board of the Virginia Association of Chiefs of Police and is the chairman of the Metropolitan Washington Council of Government's Policy Chiefs Committee. He was an invited delegate to the Virginia Bar Association's Summit on Ethnic and Racial Bias in 1996, and the U.S. Department of Justice's National Symposium on Police Integrity in 1997.

City Attorney Brian J. Lubkeman [need biographical sketch]

Director of Public Works John Veneziano was appointed to this position in 1989. He began his career with the City in 1984 as city engineer in charge of the capital improvement program. He is a graduate of the Massachusetts Institute of Technology in 1978 with a B.S. degree in Civil Engineering. He is a member of the American Public Works Association and the American Society of Civil Engineers.

Superintendent of Schools George E. Stepp was appointed to the position January 1, 1996. His tenure with the Fairfax County school system began in 1969 when he was a teacher and assistant principal at Falls Church High School, followed by Principalships at West Springfield and Lake Braddock High Schools. In 1989 he became the Area IV Superintendent and retired from the Fairfax County school system to assume the position of Superintendent of City of Fairfax Schools. He received his undergraduate and graduate degrees from Morehead State University. He also completed a graduate program at the Peabody School of Education at Vanderbilt University.

LOCAL GOVERNMENT SERVICES

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. There are no combined city-county governmental services unless provided for by contractual agreement. The City is, therefore, responsible for providing all local governmental services to its residents.

Public Safety. Law enforcement, including patrol, youth and detective services, crime prevention and community service activities are carried out by a force of 64 sworn officers. Police officers must undergo extensive screening and training procedures prior to employment and police officers receive continuous training throughout their tenure in the Police Department. During calendar year 2004, the Police Department responded to 18,013 calls for service.

Fire protection and emergency medical services (EMS) are provided to the City by a combined force of 58 career fire, emergency medical, and support staff, as well as 30 operational volunteer fire and EMS personnel. Through a reciprocal mutual response agreement with the County of Fairfax, back-up response and fill-in services are provided as needed. EMS is provided on a 24-hour basis by career emergency medical technicians (EMTs) and paramedics, supplemented by volunteer EMTs and paramedics. Fire and EMS services are provided from two fire and rescue stations located in the City. In calendar year 2004 the Fire Department (the "Department") logged 10,725 responses by firefighting vehicles and medical vehicles.

In addition to providing fire protection, emergency medical service and fire and building code administration to City residents, the Department also offers nationally-recognized, award-winning home and commercial fire safety education training and inspection programs. Training for citizens in cardiopulmonary resuscitation is also offered by the Department. Citizens may also have their blood pressures checked or child car seats installed at either fire and rescue station.

Courts. City residents are served by three Virginia courts: the Circuit Court of the 19th District, the General District Court for the City of Fairfax and the Juvenile and Domestic Relations District Court. Judges for these courts are appointed on an as-needed basis by the Virginia General Assembly. The General District Court for the City of Fairfax hears traffic violations and criminal misdemeanors. The Circuit Court hears felonies, civil suits, divorce cases and appeals from lower courts. Cases involving all offenses committed by juveniles in the City, including traffic citations, are conducted by the Juvenile and Domestic Relations Court. The City contracts for detention facilities through its City-County General Services Agreement.

[UPDATE?] Education. Elementary and secondary educational services are provided under a City-County tuition contract by the Fairfax County Public Schools, nationally recognized as an outstanding school system. The budgeted cost of educational services to be purchased from the County for 2004-2005 is \$30,338,289, which is approximately 35% of the City's General Fund budget. The 2003-2004 average student enrollment in City schools was approximately 2,780.

Within the City there also are two parochial schools. Approximately 464 children attend an elementary/intermediate parochial school, and an additional 1,159 children attend the local parochial high school.

George Mason University, offering doctored programs and a law degree, is located on 756 acres on the south City boundary. Current enrollment is approximately 28,874. This figure includes the Prince William and Arlington County campuses. The City also belongs to Region 1 of the Virginia State Community College System and is served by the Annandale campus of the Northern Virginia Community College, which is less than four miles from the City.

In addition, undergraduate and graduate programs in many fields are provided by Virginia Polytechnic Institute and State University from its Regional Center at Dulles International Airport and by the University of Virginia at its Regional Center in nearby Falls Church.

Human Services. A comprehensive array of social services are provided to City residents under contractual arrangements with human service agencies of Fairfax County.

The Fairfax-Falls Church Community Services Board oversees all publicly-funded mental health, mental retardation and substance abuse services for both children and adults in the City.

The Fairfax County Health Department provides public health services to targeted populations in the City in addition to environmental health services. General primary health care services are available to indigent residents through the community Health Care Network.

Community Development. All land in the City is zoned for residential, planned development, commercial or industrial uses. The Comprehensive Plan serves as a basic guide for the City's development. Density of development and permitted uses for each zoning category are detailed in the Zoning Code. Under the Zoning Code, certain land uses are permitted in each district as a matter of right. Others require special permits or special exceptions which must be approved by either the Board of Zoning Appeals or the City Council.

All applications for changes of zoning are carefully evaluated by the City's community development and planning staff and subsequently are the subject of public hearings by both the Planning Commission and the City Council. All new construction or building alterations (except single-family detached units) require the approval of the City Board of Architectural Review.

Public Works. The City's public works program consists of all activities necessary to construct, operate and maintain most of the physical services of the City. These include patching pavement, snow removal and road resurfacing of 70.38 miles of primary and secondary streets; building, repairing, replacing and cleaning of streams and drainage facilities; pick-up of trash and other refuse from residents in single-family dwellings and townhouses; newspaper recycling; leaf collection; maintenance of the City cemetery, public buildings and right-of-ways; and maintenance of City-owned vehicles and machinery. The department also plans transportation improvements for the City and operates the CUE bus system.

Public Utilities. Sanitary sewer service extends throughout the City. Up to 4.2 million gallons per day of sewage treatment capacity is purchased in Fairfax County's Noman Cole, Jr. Pollution Control Plant near Lorton where it is treated. Sewer service charges are calculated on the basis of the amount of water used during each regular billing period; fees are collected as part of the water bill.

The City owns and operates its own water supply system, a 200-million gallon reservoir and water treatment plant on Goose Creek in Loudoun County. In the event of a severe drought, additional capacity is provided by a 1.3 billion gallon side-storage reservoir.

The Loudoun County Sanitation Authority and the Fairfax County Water Authority purchase water from the City on a wholesale basis. The City also directly serves, on a retail basis, an area of Fairfax County adjoining the City.

Transportation. A well-integrated system provides easy access to the City. Ideally situated, the City is within minutes of any location in the metropolitan area. The City's metropolitan transportation needs are met by a combination of highways, commuter bus and regional transit service providing City residents with access to Washington, D.C., and other parts of Northern Virginia and Maryland. Interstate 66 is adjacent to the City and connects to the Capital Beltway which encircles the Washington Metropolitan Area and has interchanges with Interstate 95, the major north-south freeway between Maine and Florida.

The following U.S. Highways and State Routes (SR) serve the City:

<u>Route</u>	<u>Type</u>	<u>Direction</u>	<u>Cities Served</u>
I 66	4/6 lanes divided	East-West	Washington, D.C. - Front Royal, Virginia
US 29-50	4/6 lanes divided	East-West	Washington, D.C. - Winchester and Charlottesville, Virginia

SR 123	2/4 lanes divided	North-South	Washington, D.C. - Woodbridge, Virginia
SR 236	4 lanes divided	East-West	Alexandria and Winchester, Virginia
SR 237	4 lanes divided	Northeast-South	Falls Church and Fairfax County, Virginia

In addition to a contribution to the region-wide Metro-Rail system, the City also provides all day, seven-day per week service around the City and to the Vienna Metro-Rail station with its City University Energysaver bus system. CUE grew out of a cooperative effort with George Mason University. Eight buses run during weekdays and four buses run on weekends. The system carries over 900,000 passengers per year.

Other modes of public transportation facilities serving the City include two major airports, Dulles International, which is eight miles from the City, and Ronald Reagan Washington National, which is twelve miles from the City. Union Station in downtown Washington and the Alexandria Station in the City of Alexandria, each served by Metro-rail, provide AMTRAK service to most major cities. In addition, Trailways operates a bus station in the City.

Public Library. City residents have access to library services under a contractual agreement with Fairfax County. The Fairfax City Regional Library located near the center of the City provides reference services, video cassettes, newspapers, magazines, records, tapes, puppets, arts, prints, talking and large print books, business/technical and Virginia collections, copy machines and meeting rooms.

Additionally, a small library maintained by the Huddleson Memorial Library Board of Trustees in Old Town Hall is open on Tuesday and Friday afternoons.

Parks and Recreation. The City maintains approximately 178 acres of park land and athletic facilities. Citizens help maintain and enhance City parkland through the “Adopt-A-Park” and Gifts for Parks program.

In addition to City parks, a mutual agreement between Fairfax County and the City allows City residents to use County parks and recreation programs. The County’s park system offers over 14,000 acres of park land and a variety of facilities including neighborhood, community, district, and historic parks, nature study and recreation centers, skating rinks, swimming pools, marinas, public golf courses, tennis courts, playing fields, picnic grills and tables, and paths and trails, as well as special activities and programs.

The City annually contributes to the Northern Virginia Regional Park Authority, and City residents may enter the park free of charge. The Northern Virginia Regional Park Authority operates eleven parks in Northern Virginia; five are located in Fairfax County. These parks provide 8,000 acres of hiking, picnicking, boating, fishing, camping, children’s playgrounds, swimming and many other outdoor recreational activities.

Marked trails interconnect the City’s schools, parks, employment and shopping centers, the Vienna/Fairfax Metro-rail Station just northeast of the City, the Northern Virginia Regional Park Authority’s unique W&OD Trail, and the Accotink and Ox Road Trails east and south of the City.

The Parks and Recreation Department provides all age groups with a wide variety of year-round leisure activities. Programs offered include free classes in tennis, racquetball, dance, gymnastics, swimming, slimnastics, a wide variety of recreational and cultural activities for preschool, youth teen, adults and senior citizens, as well as special events activities.

CERTAIN FINANCIAL PROCEDURES

GASB 34 Financial Reporting Model

Fiscal year ended June 30, 2003, was the first year that the City presented its basic financial statements under the new reporting model required by Statement No. 34 of the Governmental Accounting Standards Board

("GASB 34"). This reporting model changes significantly both the recording and presentation of financial data from prior years. For further discussion of these changes, please see Note No. 1 to Basic Financial Statements attached as Appendix A to this Official Statement.

Description of Funds

The accounts of the City are organized on the basis of funds, which are considered to be a separate accounting entity. The accompanying financial statements for fiscal year ended June 30, 2004, included herein as Appendix A, include all funds and component units of the City.

The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The various funds of the primary government are as follows:

Governmental Funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general services departments, streets and highway maintenance, public safety, parks, cemetery, library and recreation programs are accounted for in this fund.

The General Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other fixed assets, with the exception of those that have been segregated into separate capital projects funds by management or are financed through proprietary funds.

The Other Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities and other fixed assets that management has chosen to report separately from the general capital projects of the City. These include the 1994 Bond Fund, the Stormwater Fund, the Old Town Fairfax Fund and the Open Space Fund.

Proprietary Fund Types are used to account for activities which are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers related to the government's business activities are accounted for through proprietary funds. The measurement focus is upon income determination, financial position and cash flows. Proprietary funds include:

Enterprise Funds are used to finance and account for the acquisition, operation and maintenance of the City's facilities and services that are supported by user charges. These include the Sewer Utility Fund, the Water Utility Fund and the Transportation Fund.

Fiduciary Fund Types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following comprise the City's Fiduciary fund types:

Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Pension trust funds account for the pension funds of most City employees. The purpose of these funds is to provide retirement benefits in addition to the benefits provided by the Virginia Retirement System and Social Security.

The following funds are included in this fund type:

City Supplemental Retirement Plan - this fund accounts for pension funds for the City's full-time general employees; and

City Firefighters, Policemen and Policewomen Retirement Plan - this fund accounts for pension funds for the City's full-time public safety personnel.

Annual Audit

The City has an annual audit made of the books of accounts, financial records and transactions of administrative departments of the City by a certified public accountant selected by City Council. The most recently completed accountants' report was for the fiscal year ended June 30, 2004, and was submitted by PBGH, LLP, Independent Public Accountants, Harrisonburg, Virginia.

The City's audited financial statements are available for inspection at the office of the Director of Finance, City Hall, 10455 Armstrong Street, Fairfax, Virginia 22030.

Budgetary Procedure

The City Charter requires the City Manager to submit a budget to City Council by March 1st for the next ensuing fiscal year to begin on July 1st.

The annual budget process for a fiscal year begins during the second quarter of the previous fiscal year with the submission by department or agency heads of budget requests to the City Manager. Budget requests are then reviewed by the City Manager and meetings between the City Manager and the department heads are scheduled to discuss agency requests.

The City Manager prepares an initial budget submission to the City Council and proposes tax rates sufficient to produce revenues needed to meet expenditures contemplated in the initial budget. After work sessions with the City Council and public hearings, the budget is amended and an appropriation ordinance is adopted. Tax rates are established prior to the beginning of the fiscal year for which the budget is prepared. During the fiscal year, reviews of revenues and expenditures are undertaken by the City Manager.

General Fund Revenues, Expenditures and Changes in Fund Balances

Set forth in the tables below are the General Fund revenues and expenditures for fiscal years 2000 through 2004. The financial data for fiscal years 2000 through 2004 have been derived from the audited financial statements of the City. The General Fund revenues and expenditures for fiscal years 2003 and 2004 are presented in a separate table because fiscal year 2003 was the first year that the City presented its basic financial statements under the new reporting model required by GASB 34. Under this statement, the City is not required to restate prior periods for purposes of providing comparative information. In future years, when prior information becomes available, a comparative analysis of government-wide information will be presented. Basic financial statements for fiscal year 2004 and notes thereto appear as Appendix A of this Official Statement and are an integral part of this Official Statement.

**Three-Year Summary of General
Fund Revenues and Expenditures (Pre-GASB 34 Changes)**

	Fiscal Year Ended June 30		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues:			
General Property Tax	\$27,723,493	\$29,392,916	\$31,948,617
Other Local Taxes	21,498,254	23,843,563	22,907,426
Licenses, Permits & Fees	1,185,694	1,339,077	1,210,990
Fines & Forfeitures	877,628	805,940	926,276
Use of Money & Property	1,830,571	1,826,628	1,544,345
Intergovernmental Revenue	9,399,794	10,601,365	11,312,095
Service Charges	1,002,257	808,568	938,020
Miscellaneous	174,412	878,442	228,029
Proceeds from Capital Leases	45,780	78,773	0
Total Revenues	<u>\$63,737,883</u>	<u>\$69,575,272</u>	<u>\$71,015,798</u>
Expenditures:			
General Government	\$ 4,823,794	\$ 5,569,248	\$ 5,839,159
Judicial Administration	978,363	1,157,050	1,035,404
Public Safety	11,890,471	13,228,238	13,469,879
Public Works	6,675,839	7,294,061	7,355,888
Health & Social Services	2,703,854	2,953,221	3,309,906
Parks, Recreation & Cultural	2,468,166	2,852,101	2,859,765
Planning & Community Development	1,320,380	1,526,056	1,676,509
Education	23,217,102	24,648,053	26,494,612
Capital Outlay	3,414,391	5,140,965	3,883,298
Transportation	1,016,286	940,581	767,630
Debt Service	4,287,258	4,060,139	3,945,901
Total Expenditures	<u>\$62,795,904</u>	<u>\$69,369,713</u>	<u>\$70,637,951</u>
Revenues Over Expenditures	\$941,979	\$205,559	\$377,847
Fund Balance Beginning	\$8,269,897	\$9,211,876	\$9,576,156
Adjustment to Beginning Fund Balance	0	158,721	0
Fund Balance, Ending	\$9,211,876	\$9,576,156	\$9,954,003

Source: Audited financial statements of City of Fairfax, Virginia

**Two-Year Summary of General
Fund Revenues and Expenditures (Post-GASB 34 Changes)**

	Fiscal Year Ended June 30	
	<u>2003</u>	<u>2004</u>
Revenues:		
General Property Taxes	\$35,055,871	\$38,325,686
Other Local Taxes	24,794,638	27,003,825
Permits, Privilege Fees & Reg. Licenses	1,153,983	1,221,572
Fines & Forfeitures	916,078	1,243,358
Use of Money & Property	1,001,487	880,309
Charges for Services	536,781	672,671
Miscellaneous	268,957	230,315
Intergovernmental Revenue	6,385,080	7,044,412
Total Revenues	<u>\$70,112,875</u>	<u>\$76,622,148</u>
Expenditures:		
General Government	\$ 5,586,736	\$ 5,752,775
Judicial Administration	1,003,637	981,164
Public Safety	14,351,969	15,142,630
Public Works	8,150,943	8,668,491
Health & Social Services	3,418,164	3,627,545
Parks, Recreation & Cultural	3,168,627	3,431,311
Planning & Community Dev.	1,610,564	1,595,332
Education	21,977,841	24,781,155
Non-Departmental	0	2,167,325
Debt Service:		
Fairfax City:		
Principal	1,022,815	1,745,450
Interest & Fiscal Charges	856,451	1,166,799
Fairfax City School Board		
Principal	1,355,000	1,300,000
Interest & Fiscal Charges	1,004,652	945,100
Total Expenditures	<u>\$63,507,399</u>	<u>\$71,305,077</u>
Revenues Over Expenditures	\$6,605,476	\$5,317,071
Other Financing Sources (Uses):		
Proceeds from Indebtedness	\$20,000,000	\$5,417,325
Bond Premium	189,993	0
Payment to Refunded Bond Escrow Agent	0	(3,250,000)
Transfers out	(26,518,802)	(6,965,573)
Other Financing Uses, Net	<u>(6,328,809)</u>	<u>(4,798,248)</u>
Net Change in Fund Balance	276,667	518,823
Fund Balance, Beginning	\$10,179,897	\$10,456,564
Fund Balance, Ending	\$10,456,564	\$10,975,387

Source: Audited financial statements of City of Fairfax, Virginia

OPERATING BUDGET

The following sets forth the adopted Operating Budgets for the General Fund for fiscal year ended June 30, 2005, and fiscal year ending June 30, 2006.

	2005 Adopted Budget	2006 Adopted Budget
<u>Budgeted Revenues</u>		
General Property Taxes	\$40,772,338	\$45,373,157
Other Local Taxes	27,200,054	28,595,172
Permits, Privilege Fees & Licenses	1,275,004	1,451,203
Fines & Forfeitures	1,005,475	747,500
Use of Money & Property	2,622,700	3,332,355
Intergovernmental Revenue	11,687,993	12,505,407
Service Charges	1,018,320	1,075,970
Miscellaneous	<u>936,675</u>	<u>988,000</u>
 Total Revenues	 <u>\$86,568,559</u>	 <u>\$94,068,764</u>
 <u>Budgeted Expenditures</u>		
General Government	\$ 6,591,837	\$ 7,085,358
Judicial Administration	985,196	1,289,481
Public Safety	16,504,811	17,517,575
Public Works	8,930,051	9,220,080
Health & Social Services	4,158,355	4,658,514
Parks, Recreation & Cultural	4,032,451	4,366,707
Planning & Community Development	1,711,929	2,215,439
Education	31,360,442	33,264,476
Capital Outlay	4,069,280	3,031,655
Transportation	1,287,073	1,196,765
Non Departmental	337,484	3,262,957
Debt Service	<u>6,599,650</u>	<u>6,959,757</u>
 Total Expenditures	 <u>\$86,568,559</u>	 <u>\$94,068,764</u>

Source: Director of Finance, City of Fairfax.

Operating Results for Fiscal Year 2005

The City expects revenues and expenditures for Fiscal Year ended June 30, 2005, to exceed budgeted figures referenced above but resulting in a net surplus. There are no known weaknesses in operating or capital revenues or unanticipated expenditures that materially adversely threaten the financial position of the City.

GENERAL FUND REVENUES AND DISBURSEMENTS

The General Fund is maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, certain revenue from federal and state agencies, and interest earned on invested cash balances in the General Fund. General Fund disbursements include the cost of general City government, certain capital improvement projects and contract services.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund disbursements. Excepted as noted, this does not include revenues and expenditures of the School Board. See Appendix A for a detailed statement of General Fund revenues and expenditures for the fiscal year ended June 30, 2004.

Revenues

Property Taxes. An annual ad valorem tax is levied by the City on the assessed value of real and tangible personal property located within the City as of the January 1. The ratio of the assessed value of all property to its appraised value is 100% in the case of real property and varies for the several classes of personal property but generally is 100%. Real property taxes are due June 5 and December 5. Tangible personal property taxes are due October 5. In cases of property on which delinquent taxes are not paid within three years, the City records a lien on the property effective for 20 years and the property is eligible to be sold through judicial proceedings. There is no limit at the present time on the property tax rates which may be established by the City. In the fiscal year ended June 30, 2004, property taxes (including penalties for late payment of prior years' taxes) represented 50.0% of total General Fund receipts.

Sales Tax Collections. The City imposes a 1% sales tax on all retail sales. These receipts represented approximately 13.8% of total General Fund receipts in the fiscal year ended June 30, 2004.

Business and Occupational Licenses. The City requires that licenses or permits be obtained in order to perform certain activities in the City and that fees be paid for services provided by certain City departments. These receipts represented approximately 8.0% of total General Fund receipts in the fiscal year ended June 30, 2004.

Revenues from the Commonwealth. The City is reimbursed by the Commonwealth for a portion of shared expenses of constitutional officers. Additionally, the City receives a share of the net profits from the State Alcoholic Beverage Control Board's liquor sales. The City also receives a significant amount of vehicle rental tax collected by the Commonwealth from the high number of car leasing and auto dealers in the City. Revenue from the Commonwealth represented approximately 9.1% of total General Fund receipts in the fiscal year ended June 30, 2004. This includes additional state aid in support of public school operations and roads.

Other Revenue. The principal sources of other revenue to the General Fund are utility taxes (including cell phone taxes (3.8%) and meals tax (2.4%)). Other sources of revenue accounted for approximately 20.2% of total General Fund receipts for the fiscal year ended June 30, 2004.

Disbursements

Cost of General City Government. The City's the General Fund includes the costs of general City government and debt service. These costs include expenditures for education, public safety (police, fire, etc.), courts administration and support, social services, libraries, health, conservation and housing and community development and certain contract services. This classification represented approximately 83.3% of total General Fund disbursements in the fiscal year ended June 30, 2004.

Transfer to Other Funds. The City transfers funds from the General Fund to the Capital Projects Fund, Open Space Fund, the Transit Fund, the Old Town District Fund and the Stormwater Fund to pay the cost of certain capital improvements or, in the case of the Transit Fund, to subsidize the cost of operations. Those transfers represented approximately 8.0% of total General Fund disbursements in the fiscal year ended June 30, 2004.

DESCRIPTION AND ECONOMIC BASE OF THE CITY

The City of Fairfax, a community of approximately 23,300 people, is located in Northern Virginia within the Washington, D.C., Standard Metropolitan Area (SMA). Surrounded by Fairfax County and including the County Courts, Detention Centers and Public Safety Administration, the City is fifteen miles southwest of the U.S. Capitol and encompasses approximately 6.28 square miles. The City is residential in character and an educational and governmental center with associated extensive commercial and service activities.

Population of Fairfax and Adjacent Areas

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2004</u>
City of Fairfax	22,727	20,483	19,622	21,498	23,300
Fairfax County	455,021	596,901	818,584	969,749	1,007,400
Northern Virginia Planning District ⁽¹⁾	938,878	1,105,704	1,466,350	2,116,692	2,004,500
Commonwealth of Virginia	4,648,494	5,346,818	6,187,358	7,078,515	7,455,900

Source: U.S. Census, for 1970, 1980, 1990 and 2000. 2004 figures from Weldon Cooper Center for Public Service, Charlottesville, Virginia.

⁽¹⁾ The Northern Virginia Planning District, also known as the Northern Virginia Regional Commission, includes the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park, the Counties of Arlington, Fairfax, Loudoun and Prince William and the Towns of Dumfries, Herndon, Leesburg, Purcellville and Vienna.

Age Composition

	<u>Median Age</u>	<u>% Under 18</u>	<u>% 65 or Over</u>	<u>2000 Average Household Size</u>
City of Fairfax	37.0	22.6%	12.8%	2.61
Fairfax County	35.9	25.4	7.9	2.74
Northern Virginia	36.0	25.6	7.8	2.65
Commonwealth of Virginia	35.7	24.6	11.2	2.54

Source: U.S. Census Bureau, 2000 U.S. Census. Most recent information available.

Per Capita Personal Income

	<u>City of Fairfax⁽¹⁾</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
1999	\$47,306	\$29,226	\$27,939
2000	50,027	31,084	29,847
2001	51,463	32,328	30,527
2002	52,199	32,793	30,906
2003	53,984	33,730	31,472

Source: U.S. Bureau of Economics Analysis. Most recent information available.

⁽¹⁾ Fairfax City includes Fairfax County and Falls Church

Housing

As of calendar year 2004, the City reported 7,072 housing units. The total acreage zoned residential as of December 2003 was 2,587 of which 459 acres were dedicated to parks, institutional and governmental uses. Of the remaining 2,128 acres or residentially zoned land in the City, 1,975 were developed as residential and 153 acres vacant.

	<u>Owner Occupied</u>	<u>Renter Occupied</u>	<u>Vacant</u>	<u>Value of Owner Occupied Housing</u>
City of Fairfax	69.1%	30.9%	2.1%	\$180,100
Fairfax County	70.1	29.9	2.4	226,825

Source: U.S. Census Bureau, 2000 U.S. Census. Most recent information available.

New Housing Starts

The following table present new housing starts since 1995.

<u>Calendar Year</u>	<u>Total Family Units</u>
1995	133
1996	98
1997	69
1998	58
1999	99
2000	146
2001	191
2002	27
2003	16
2004 ⁽¹⁾ [update]	41

Source: City of Fairfax Department of Community Development and Planning

⁽¹⁾ As of October 31, 2004.

Commercial

There are 521 acres currently zoned for commercial use, of which 460 acres are developed. The City is a major shopping area within central Fairfax County with shopping centers totaling 1.5 million square feet of leaseable floor area with an assessed valuation of \$240,176,300. The total assessed value for all 277 non-office improved commercial properties is \$645,125,700 representing 54.5% of the total commercial assessed value. Office and Office Condominiums represent 68.5% of all commercial parcels with an assessed value of \$522,187,400.

Taxable Retail Sales Data

<u>Year</u>	<u>Population⁽¹⁾</u>	<u>Taxable Retail Sales</u>	<u>Taxable Retail Sales Per Capita</u>
1995	20,000	\$561,678,973	\$28,084
1996	20,359	653,339,322	32,091
1997	20,555	620,784,302	30,201
1998	20,594	606,960,988	29,473
1999	20,856	657,546,742	31,528
2000	21,498 ⁽²⁾	705,913,709	32,836
2001	22,300	705,877,265	31,654
2002	22,800	728,235,946	31,940
2003	23,600	808,858,815	34,274
2004	23,300	821,511,851	35,258

Source: Director of Finance, City of Fairfax

⁽¹⁾ Population figures from the Weldon Cooper Center for Public Service, Charlottesville, Virginia

⁽²⁾ United States Census Bureau, 2000.

New Construction Assessed Value

The following table sets forth the value of new construction in the City since 1995.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Valuation</u>
1995	\$20,492,654
1996	13,660,955
1997	22,151,457
1998	25,243,282
1999	35,969,469
2000	21,519,492
2001	35,162,772
2002	61,664,400
2003	58,333,000
2004	11,710,700

Source: City of Fairfax Assessor

COMMERCE, INDUSTRY AND EMPLOYMENT

Industrial

There are 177 acres of land zoned for industrial uses in the City, of which 140.5 acres are developed, and approximately 37 acres are vacant.

The major portion of the developed area is used for a petroleum storage area serving American Oil Company, Cities Service Oil Company, Star and Old Dominion Terminal LLC. The facility is capable of storing up to 50 million gallons of fuel on its 80 acre site and is a major storage complex for the Washington, D.C. area. The remainder of the industrial acreage is concentrated in two areas; Pickett Road and the Draper Drive/Roanoke Street area off of Lee Highway. Much of the vacant industrial acreage is located in the floodplain and considered undevelopable for industrial uses at this time.

Employment

The most recent data available from the Virginia Employment Commission indicates an average employment of 23,206 in the City as of March 31, 2004 [any update?]. These categories were:

	<u>Number Employed</u>
Construction	1,147
Manufacturing	193
Transportation, communications and utilities	989
Trade	5,091
Finance, insurance and real estate	1,868
Services	11,160
Government	1,427
Other	<u>1,331</u>
Total	23,206

Source: Virginia Employment Commission

Unemployment Rate (not seasonally adjusted)

The City's unemployment rate, which historically has been one of the lowest in Virginia, is set forth in the following table.

<u>Year</u>	<u>City of Fairfax</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
1995	1.4%	4.5%	5.6%
1996	1.5	4.4	5.4
1997	1.5	4.7	5.2
1998	1.3	2.8	4.5
1999	0.9	2.9	4.2
2000	0.6	1.9	3.7
2001	0.7	3.6	5.4
2002	1.3	4.1	5.8
2003	2.0	4.1	6.0
2004	2.7	3.7	5.5

Source: Virginia Employment Commission

Principal Industries

The City Economic Development Department reported that the largest employers in the City by number of full-time employees are as follows:

<u>Over 200 Employees</u>	<u>Approximate Number of Employees</u>
SunTrust Bank	450
City of Fairfax	360
Verizon Wireless	260
INOVA Care Center	210
Fairfax Nursing Center	250
Ted Britt Ford	250
Fairfax Honda	200
Browns Automotive Group	200
Mid-Atlantic Cars	200
 <u>Over 100 Employees</u>	 <u>Approximate Number of Employees</u>
DA Foster Industries	190
Virginia Power	170
Burton & Robinson	160
Giant Food	160
Shoppers Food Warehouse	150
Elite Exteriors, Inc.	150
Tetra Tech EM Inc.	150
Farrish Automotive	130
Carfax Vehicle History	125
Fairfax Toyota	110
Fairfax Volkswagen/Volvo	100
Weichert Realtors	100
Christopher Consultants, Inc.	100
USA Financial Services Inc.	100

Source: City of Fairfax Economic Development Office, February 2005 [any significant changes?]

OPERATING DATA

The major revenue source for the City is the real property tax which accounted for 37.10% of the Fiscal Year 2003-2004 revenues. Full valuation of real property for the City, (exclusive of public utilities), as reported by the City Office of Real Estate Assessments at January 1, 1995 - January 1, 2004, are as shown below:

Assessed Value of Real Property (excluding Public Utilities)

<u>Year</u>	<u>Assessed Value</u>	<u>True Value</u>	<u>Assessed To True Value</u>
1995	\$1,804,081,100	\$1,804,081,100	100%
1996	1,840,280,144	1,840,280,144	100
1997	1,874,256,166	1,874,256,166	100
1998	1,918,845,037	1,918,845,037	100
1999	2,021,637,120	2,021,637,120	100
2000	2,149,535,854	2,149,535,854	100
2001	2,487,992,286	2,487,992,286	100
2002	2,859,316,100	2,859,316,100	100
2003	3,318,050,400	3,318,050,400	100
2004	3,753,415,200	3,753,415,200	100

Source: Real Estate Assessor, City of Fairfax

Real Property by Zoning Classification

The Assessed Real Property Valuations by Zoning Classifications calculated as of January 1 in the years 1995 through 2004 are as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Public Utilities</u>	<u>Total</u>
1995	\$1,065,719,800	\$600,315,100	\$55,829,800	\$82,216,400	\$63,882,332	\$1,867,963,432
1996	1,084,378,344	608,241,800	57,225,800	90,434,200	75,156,775	1,915,436,919
1997	1,100,116,066	621,150,500	57,544,500	95,445,100	79,359,910	1,953,616,076
1998	1,138,147,437	647,486,100	56,655,900	76,555,600	80,929,325	1,999,774,362
1999	1,171,845,320	706,564,800	61,529,804	81,697,200	82,922,884	2,104,560,004
2000	1,240,448,323	765,193,159	61,163,200	82,731,172	84,634,178	2,234,170,032
2001	1,493,534,686	841,075,000	61,945,000	91,437,600	89,160,625	2,577,152,911
2002	1,756,005,200	925,594,900	64,670,500	113,045,500	87,593,266	2,946,909,366
2003	2,111,088,700	1,010,001,700	71,592,900	125,367,100	103,967,671	3,422,018,071
2004	2,439,123,400	1,101,514,100	82,451,700	130,326,000	98,693,202	3,852,108,402

Source: Real Estate Assessor, City of Fairfax

Personal Property Tax

<u>Year</u>	<u>Individual and Business Tangible Personal Property</u>	<u>Tangible Personal Property of Public Service Corporations</u>	<u>Total</u>
1995	\$191,065,631	\$20,455,438	\$211,521,069
1996	206,856,094	24,217,833	231,073,927
1997	216,563,095	16,651,419	233,214,514
1998	217,122,611	18,123,963	235,246,574
1999	216,688,211	30,099,083	246,787,294
2000	256,336,833	16,837,139	273,173,972
2001	265,000,811	19,169,945	284,170,756
2002	295,824,105	16,452,271	312,276,376
2003	269,892,038	20,042,755	289,934,793
2004	240,000,000 ⁽¹⁾	16,589,227 ⁽¹⁾	256,589,227 ⁽¹⁾

Source: Treasurer, City of Fairfax

⁽¹⁾Calendar year 2004 estimated by the City.

Principal Taxpayers Fiscal Year 2004

<u>Taxpayer</u>	<u>Description</u>	<u>Assessed Value</u>	<u>Percentage of Total Taxable Valuation</u>
Fair City HHH LLC	Shopping Center	\$56,463,700	1.50%
Fairfax Square Ltd. Ptn.	Apartments	53,001,200	1.41
RKB Willowood LLC	Office Buildings	47,771,700	1.27
SMII Fairfax LLC	Office Buildings	43,490,200	1.16
Army Navy Country Club	Golf Course	36,995,900	0.99
John F. Swart, ETAL	Various Commercial	23,720,200	0.63
Combined Properties	Shopping Centers	22,954,000	0.61
Mosby LLC	Office/Apartments	22,949,000	0.61
Saul Holdings LLP	Various Commercial	20,830,800	0.55
USRPI, LLC	Shopping Centers	<u>20,521,200</u>	<u>0.55</u>
Total Taxable Assessed Value of 10 Largest Taxpayers		\$348,697,900	9.28%
Total Taxable Assessed Value of all other Taxpayers		\$3,404,717,300	90.72%
Total Taxable Assessed Value of all Taxpayers (not including Public Service Corporations)		\$3,753,415,200	100.00%

Source: Director of Finance, City of Fairfax

History of the City's Tax Rates Per \$100 of Assessed Value

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Real Property	\$.97	\$.99	\$.99	\$1.00	\$1.00	\$1.01	\$.98	\$.96	\$.92	\$.90
Personal Property	3.29	3.29	3.29	3.29	3.29	3.29	3.29	3.29	3.29	3.29

Source: Director of Finance, City of Fairfax

Property Tax Collection Record Fiscal Years 1995-2004

<u>Fiscal Year Ending June 30</u>	<u>Levies</u>	<u>Current Collections</u>	<u>Percentage</u>	<u>Current and Delinquent Collections</u>	<u>Percentage</u>
1995	\$22,320,298	\$21,255,618	95.2%	\$21,826,406	97.8%
1996	23,328,516	22,688,283	97.3	23,098,862	99.0
1997	24,335,488	23,827,861	97.9	24,303,860	99.9
1998	25,141,390	24,578,991	97.8	24,817,341	98.7
1999	26,834,047	26,363,455	98.2	26,631,863	99.2
2000	28,732,772	28,143,610	97.9	28,458,746	99.0
2001	30,173,004	29,515,513	97.8	30,120,556	99.8
2002	33,893,356	33,216,777	98.0	33,696,586	99.4
2003	38,080,237	36,255,484	95.2	36,801,903	96.6
2004	40,386,135	39,582,431	98.0	40,023,942	99.1

Source: Treasurer, City of Fairfax

The levies shown in the above table are not equal to the assessed real property valuation multiplied by the tax rate because the Tax Year for the City runs from January 1 to December 31 and the Fiscal Year from July 1 to June 30.

The above levies are based upon full value of real property adjusted only to compensate for the difference in the Tax Year and Fiscal Year.

Delinquent real estate tax collections are pursued in accordance with Section 58.1-3921 through Section 58.1-3937 of the Code of Virginia which states essentially that the City Treasurer will cause a lien to be recorded on such property of delinquent tax payers if the taxes are not paid by the third anniversary of the original due date. In the case of personal property taxes, judgments are filed within one year of delinquency.

The schedule of outstanding property taxes as of June 30, 2004, was as follows:

<u>Delinquent Property Taxes By Tax Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Total</u>
1998	\$ 0	\$ 51,014	\$ 51,014
1999	0	42,753	42,753
2000	2,159	44,313	46,472
2001	17,310	78,094	95,404
2002	24,682	132,194	156,876
2003	117,158	233,766	350,924
2004	<u>342,462</u>	<u>0</u>	<u>342,462</u>
Total Delinquent	\$503,771	\$582,134	\$1,085,905
Allowance for Uncollectible	<u>36,000</u>	<u>150,000</u>	<u>186,000</u>
Total 2004	\$467,771	\$432,134	\$ 899,905
Total 2003	\$604,290	\$423,038	\$1,027,328

Source: Audited financial statements of City of Fairfax, Virginia

DEBT ADMINISTRATION

Computation of Legal Debt Margin

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991, a city in Virginia is authorized to issue bonds and other indebtedness secured by a pledge of its full faith and credit. The amount of such indebtedness is limited to 10% of the assessed valuation of real estate subject to taxation by the city. In determining the limitation on indebtedness, certain classes of indebtedness are excluded, including bonds payable exclusively from the revenues of a specific revenue producing undertaking and referendum-approved general obligation bonds for a revenue producing undertaking.

Legal Debt Margin - June 30, 2005

Assessed value of real estate	\$4,445,241,300
Bond Limit - 10% (limitation per Article VII, Section 10 of the Constitution of Virginia)	\$444,524,130
Net direct debt outstanding ⁽¹⁾	<u>80,665,418</u>
Debt Margin	<u>\$363,858,712</u>

Summary of Outstanding Debt - June 30, 2005

General Obligation Bonds:	
1998 General Obligation School Bonds	\$ 5,200,000
2002 General Obligation Bonds	18,590,000
2003 Water Refunding Bonds ⁽²⁾	1,473,606
2004 Public Improvement Refunding Bonds	2,900,418
2004 Water Refunding Bonds ⁽²⁾	773,336
2004 General Obligation School Bonds	42,000,000
2005 General Obligation Refunding Bonds	11,975,000
Sewage Treatment Plant	<u>179,210</u>
Gross Debt	\$83,091,570
Less self-supporting debt:	
Water revenue	\$ 2,246,942
Sewer treatment plant	<u>179,210</u>
Total Self-Supporting	\$ 2,426,152
Net Direct Debt ⁽¹⁾	<u>\$80,665,418</u>

⁽¹⁾ Net direct debt excludes debt service on general obligation bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.

⁽²⁾ General obligation bonds payable from service charges charged to users of the system owned and operated by the City.

General Fund Debt Service

Consolidated Debt Service Requirements (as of June 30, 2005)

<u>Year Beginning July 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2006	\$ 2,782,822	\$ 3,603,012	\$ 6,385,834
2007	3,558,366	3,358,578	6,916,944
2008	3,611,575	3,231,057	6,842,632
2009	3,692,655	3,101,633	6,794,288
2010	3,005,000	2,968,718	5,973,718
2011	3,040,000	2,867,668	5,907,668
2012	3,080,000	2,763,430	5,843,430
2013	3,120,000	2,655,423	5,775,423
2014	3,190,000	2,518,148	5,708,148
2015	3,280,000	2,362,523	5,642,523
2016	3,365,000	2,215,403	5,580,403
2017	3,445,000	2,067,823	5,512,823
2018	3,555,000	1,897,913	5,452,913
2019	2,360,000	1,724,403	4,084,403
2020	2,475,000	1,609,686	4,084,686
2021	2,580,000	1,502,260	4,082,260
2022	2,695,000	1,387,746	4,082,746
2023	2,815,000	1,266,009	4,081,009
2024	1,435,000	1,173,044	2,608,044
2025	1,500,000	1,110,263	2,610,263
2026	1,565,000	1,044,638	2,609,638
2027	1,640,000	966,388	2,606,388
2028	1,725,000	884,388	2,609,388
2029	1,810,000	798,138	2,608,138
2030	1,900,000	707,638	2,607,638
2031	1,995,000	612,638	2,607,638
2032	2,090,000	520,369	2,610,369
2033	2,185,000	423,706	2,608,706
2034	2,285,000	322,650	2,607,650
2035	2,390,000	219,825	2,609,825
2036	<u>2,495,000</u>	<u>112,275</u>	<u>2,607,275</u>
Total	<u>\$80,665,418</u>	<u>\$51,997,393</u>	<u>\$132,662,811</u>

Water and Sewer Fund

Consolidated Debt Service Requirements (as of June 30, 2005)

<u>Year Beginning July 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2006	\$1,106,127	\$ 48,533	\$1,154,661
2007	839,050	27,210	866,260
2008	237,638	10,796	248,434
2009	<u>243,337</u>	<u>5,469</u>	<u>248,807</u>
Total	<u>\$2,426,152</u>	<u>\$92,009</u>	<u>\$2,518,162</u>

Other Long Term Debt Payable from the General Fund (as of June 30, 2005)⁽¹⁾

<u>Year Beginning July 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2005	\$ 750,000	\$ 255,052	\$ 1,005,052
2006	344,000	291,297	635,297
2007	352,000	283,821	635,821
2008	359,000	276,171	635,171
2009	367,000	268,369	635,369
2010 ⁽²⁾	5,675,000	260,393	5,935,393
2011	383,000	134,658	517,658
2012	392,000	126,334	518,334
2013	400,000	117,813	517,813
2014	409,000	109,118	518,118
2015	418,000	100,226	518,226
2016	427,000	91,139	518,139
2017	436,000	81,855	517,855
2018	445,000	72,374	517,374
2019	455,000	62,697	517,697
2020	465,000	52,802	517,802
2021	475,000	42,691	517,691
2022	485,000	32,362	517,362
2023	496,000	21,814	517,814
2024	<u>507,000</u>	<u>11,026</u>	<u>518,026</u>
Total	<u>\$14,040,000</u>	<u>\$2,692,012</u>	<u>\$16,732,012</u>

⁽¹⁾ Includes the following: (i) \$2,070,000 Taxable Public Facility Lease Revenue Refunding Bonds (City of Fairfax Project), Series 1999, issued by the Industrial Development Authority of the City of Fairfax, Virginia, for the benefit of the City, (ii) a Financing Lease Agreement dated as of July 26, 2004, between the City and SunTrust Bank, in the maximum amount of \$15,000,000, \$8,350,000 of which has been advanced to the City, (iii) the City of Fairfax Economic Development Authority's \$3,300,000 Taxable Revenue Note (City of Fairfax Project), Series 2004A, issued for the benefit of the City and (iv) the City of Fairfax Economic Development Authority's \$2,000,000 Taxable Revenue Note (City of Fairfax Project), Series 2004B, issued for the benefit of the City.

⁽²⁾ Principal due in this fiscal year includes the one-time principal payment of the \$3,300,000 Taxable Revenue Note (City of Fairfax Project), Series 2004A, and the \$2,000,000 Taxable Revenue Note (City of Fairfax Project), Series 2004B. The City expects to receive funds from the sale of the financed properties to a private developer to prepay the outstanding principal prior to the final maturity date in fiscal year 2010.

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Net General Fund Expenditures</u>	<u>Direct Debt Service⁽¹⁾</u>	<u>Percentage</u>
1995	\$50,575,307	\$1,165,660	2.3%
1996	50,877,906	1,279,814	2.5
1997	52,726,511	1,244,366	2.4
1998	59,343,400	1,209,346	2.0
1999	65,911,444	3,213,543	4.9
2000	75,318,413	3,642,308	4.8
2001	71,725,129	3,422,371	4.8
2002	72,924,862	3,306,198	4.5
2003	75,571,734	3,693,084	4.9
2004	80,889,443	4,650,259	5.8

⁽¹⁾ Excludes debt service on water and sewer projects. Includes capital leases payable from the General Fund.

Revenue Bond Coverage

Fiscal Year Ending June 30	Water Fund				
	Gross Income ⁽¹⁾	Expenses ⁽²⁾	Net Income	Debt Service	Coverage
1995	\$4,793,558	\$3,008,988	\$1,784,570	\$1,346,252	1.33
1996	5,298,883	3,192,708	2,106,175	1,454,511	1.45
1997	4,961,794	3,287,317	1,674,477	1,525,816	1.10
1998	5,576,195	3,525,557	2,050,638	1,068,089	1.92
1999	5,734,278	4,792,092	942,186	1,291,867	0.73
2000	6,319,058	4,362,920	1,956,138	1,240,858	1.58
2001	7,019,874	4,295,371	2,724,503	1,222,972	2.23
2002	7,850,910	5,174,068	2,676,842	1,229,800	2.18
2003	6,876,281	4,700,402	2,175,879	1,263,846	1.72
2004	6,673,100	5,140,636	1,532,464	859,077	1.78

Fiscal Year Ending June 30	Sewer Fund				
	Gross Income ⁽¹⁾	Expenses ⁽²⁾	Net Income	Debt Service	Coverage
1995	\$2,565,384	\$2,117,702	\$ 447,682	\$165,136	2.71
1996	2,942,494	2,312,020	630,474	120,887	5.22
1997	2,868,786	2,392,730	476,056	108,397	4.39
1998	3,029,458	2,174,587	854,871	108,266	7.90
1999	3,032,121	2,117,050	915,071	273,632	3.34
2000	2,973,032	2,182,458	790,574	303,050	2.61
2001	3,672,343	2,718,706	953,637	303,050	3.15
2002	3,839,869	2,571,757	1,268,112	2,453,778	0.52
2003	3,183,207	3,047,513	135,694	49,338	2.75
2004	2,787,497	3,103,903	(316,406)	49,338	(6.41)

⁽¹⁾ Includes interest on temporarily invested bond proceeds.

⁽²⁾ Excludes interest on debt, losses on disposition of assets and depreciation expense.

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Fiscal Year Ending June 30	Net Bonded Debt ⁽¹⁾	Population ⁽²⁾	Real Estate Assessed Value	Net Bonded Debt Per Capita	Ratio of Net Bonded Debt to Assessed Value
1995	\$ 9,495,000	20,000	\$1,867,963,432	\$ 475	0.55%
1996	8,755,000	20,359	1,915,436,919	430	0.51
1997	8,005,000	20,555	1,953,616,076	389	0.46
1998	32,840,000	20,594	1,999,774,362	1,595	1.64
1999	33,320,000	20,856	2,104,560,004	1,598	1.58
2000	30,880,000	21,498	2,234,170,032	1,436	1.38
2001	28,580,000	22,300	2,577,152,911	1,282	1.11
2002	26,285,000	22,800	2,946,909,366	1,153	0.89
2003	44,055,000	23,600	3,422,018,071	1,867	1.29
2004	41,145,000	23,300	3,852,108,402	1,766	1.07

⁽¹⁾ Excludes debt of self-supporting projects.

⁽²⁾ Population figures from the Weldon-Cooper Center for Public Service, Charlottesville, Virginia, except 2000, which is from the United States Census Bureau, and 2004, which is an estimate from the City.

Authorized and Unissued Bonds

The voters of the City authorized the issuance of \$86,800,000 general obligation school bonds at an election held on November 2, 2004, of which the first \$42,000,000 principal amount was issued on December 21, 2004. After the issuance of the Bonds representing the remaining balance of authorized school bonds, the City will have no other authorized but unissued bonds.

STATE AID

The City receives revenues from the Commonwealth of Virginia in seven major categories. Those categories, along with the Fiscal Year 2003-2004 revenues, are as follows:

1. Basic State School Aid (\$2,705,299) - Based on a formula involving total school population, statewide cost per pupil, and local jurisdiction's ability to pay. Formula allocates amount of state aid to those least able to pay.
2. Street Construction and Maintenance (\$1,730,107) - Amount is based on number of lane miles of primary and secondary streets.
3. State Sales Tax (\$2,127,360) - 1% of the State's 3 1/2% sales tax is allocated to local jurisdictions based on number of school age children.
4. State Aid for Police (\$604,688) - Compensation for certain law enforcement services.
5. Vehicle Rental Tax (\$288,730) - City share of tax on daily rental of vehicles.
6. PPTRA (\$2,995,078) - Reimbursement for state tax reduction in personal property tax for motor vehicles.
7. Other (\$543,784) - This is primarily to cover state reimbursement for the cost of operating various offices such as the Commissioner of Revenue, the Treasurer and Electoral Board.

CAPITAL IMPROVEMENT PROGRAM

In conjunction with an adopted Master Plan the City Council adopts a five-year Capital Improvement Program (the "CIP"). The CIP does not represent a legislative commitment to expend capital funds for the projects indicated. It is a means of identifying short and longer term needs as a guide for future spending and a mechanism for establishing priorities for orderly development. The first year of the CIP has traditionally constituted an approved and funded capital budget, while the remaining four years serve as a planning guide for public facilities for the City. The program is subject to continuing examination and revision.

The City Council last adopted a CIP on April 12, 2005, for the Fiscal Years 2005-2006 to 2009-2010 with a total estimated cost of \$90,385,214 to be funded from sources as detailed below:

Capital Improvement Program Fiscal Years 2005-2006 to 2009-2010

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
<u>Uses of Funds</u>						
Schools	\$25,000,000	\$19,800,000	\$247,500	\$247,500	\$440,000	\$45,735,000
General Government	2,156,178	4,112,896	1,145,900	1,227,900	1,083,900	9,726,774
Recreation/Community						
Appearance	2,746,812	1,767,812	1,991,812	151,812	106,812	6,765,060
Environment	3,244,478	2,879,518	3,209,764	2,886,060	1,782,060	14,001,880
Transportation	<u>4,682,500</u>	<u>2,613,500</u>	<u>3,176,500</u>	<u>2,476,500</u>	<u>1,207,500</u>	<u>14,156,500</u>
Total Uses	<u>\$37,829,968</u>	<u>\$31,173,726</u>	<u>\$9,771,476</u>	<u>\$6,989,772</u>	<u>\$4,620,272</u>	<u>\$90,385,214</u>
<u>Sources of Funds</u>						
Water Fund	\$2,581,800	\$3,027,354	\$2,542,000	\$2,294,000	\$1,150,000	\$11,595,154
Sewer Fund	477,678	899,744	482,764	337,060	337,060	2,534,306
Stormwater	75,000	75,000	75,000	75,000	75,000	375,000
State/Federal	3,276,000	972,000	965,000	965,000	0	6,178,000
Cable Capital Grant	112,000	155,000	69,000	112,000	112,000	560,000
Debt Financings	27,565,000	20,800,000	0	0	0	48,365,000
General Fund	<u>3,742,490</u>	<u>5,244,628</u>	<u>5,637,712</u>	<u>3,206,712</u>	<u>2,946,212</u>	<u>20,777,754</u>
Total Sources of Funds	<u>\$37,829,968</u>	<u>\$31,173,726</u>	<u>\$9,771,476</u>	<u>\$6,989,772</u>	<u>\$4,620,272</u>	<u>\$90,385,214</u>

Source: FY 2005-06 to 2009-10 Capital Budget, City of Fairfax

LABOR RELATIONS AND PENSION INFORMATION

Labor Relations

The City has no labor unions or organizations and does not engage in collective bargaining. Labor unions or organizations and collective bargaining are prohibited by Virginia law.

Retirement Plans

See Note 9 to Financial Statements, Appendix A

LITIGATION

According to the City Attorney, there is no litigation of any kind now pending or, to the best of his information, knowledge and belief, threatened against the City (a) to restrain or enjoin the issuance or delivery of the Bonds, (b) in any manner questioning the proceedings and authority under which the Bonds are issued or the adoption or validity of the Bond Resolution, or (c) which would in any way affect the right of the City to levy or collect ad valorem taxes without limitation as to rate or amount for the payment of principal of or interest on the Bonds.

The City is involved in several legal proceedings. The City Attorney is of the opinion that the ultimate resolution of such proceedings will not have a material adverse impact upon the financial condition of the City.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Hunton & Williams LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Bonds, in substantially the form set forth as Appendix B (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described in the section "Tax Exemption." Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest, including accrued original issue discount ("OID"), on the Bonds (a) will not be included in gross income for Federal income tax purposes, (b) will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for Federal tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax, and (c) will be exempt from income taxation by the Commonwealth of Virginia. Except as discussed below regarding OID, no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion will be given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the City to comply with such covenants, among other things, could cause interest, including accrued OID, on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

Original Issue Discount

The initial public offering prices of each maturity of the Bonds maturing in the years ____ through ____ (the “OID Bonds”) will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering price to the public at which a substantial amount of each maturity of such Bonds are sold.

Under the Code, for purposes of determining the holder’s adjusted basis in an OID Bond, OID treated as having accrued while the holder holds the Bond will be added to the holder’s basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of OID Bonds.

Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

There are many events which could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purport to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than Virginia.

CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish (1) a certificate dated the date of delivery of the Bonds, signed by the officers who sign the Bonds and stating that no litigation is then pending or, to their knowledge, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds, the levy or collection of taxes to pay principal of or interest thereon, or in any manner questioning the proceedings and authority

under which the Bonds are issued and (2) a certificate dated the date of the delivery of the Bonds, signed by the appropriate City officials and stating that (a) the descriptions and statements contained in this Official Statement (except in the sections entitled “Book-Entry-Only System,” “Litigation” and the information as to yield and CUSIP numbers on the inside cover page) on the date of this Official Statement and on the date of delivery of the Bonds were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances in which they were made, not misleading and (b) no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery, other than as contemplated in this Official Statement. Such certificate will also state, however, that the persons signing such certificate did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers, but that they have no reason to believe that such information is not accurate.

The City will furnish to the successful bidder a certificate dated the date of delivery of the Bonds, signed by the City Attorney stating that the statements in the section entitled “Litigation” on the date of this Official Statement and on the date of delivery of the Bonds were and are true and correct in all material respects and did not and do not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in light of the circumstances under which they were made, not misleading.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered for sale at competitive bidding on _____, 2005. After the Bonds have been awarded, the City will issue an Official Statement in final form to be dated _____, 2005. The City will deem the Official Statement final as of its date, and the Official Statement in final form will be a “Final Official Statement” within the meaning of the Rule. The Official Statement in final form will include, among other matters, the identity of the winning bidder, the expected selling compensation to such winning bidder and other information on the interest rates and offering prices or yields of the Bonds, all as supplied by the winning bidder.

RATINGS

Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Group have given the Bonds the ratings of “____” and “____,” respectively. The City requested that the Bonds be rated and furnished certain information to Moody’s and Standard & Poor’s, including certain information that may not be included in this Official Statement.

Moody’s issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds. The ____ rating is within the second highest of nine such ratings. Moody’s applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa to B. The modifier “1” indicates that the issue ranks in the upper end of its generic category. Moody’s describes its ____ rating as follows:

Standard & Poor’s issues ratings ranging from AAA to D to designate the relative investment qualities of bonds. The ____ rating is within the second highest of ten ratings. Standard & Poor’s describes its ____ rating as follows:

Reference should be made to the individual rating agency for a fuller description of the meaning of the rating assigned by such rating agency. These ratings are not a recommendation to buy, sell or hold the Bonds. The ratings are subject to review and change or withdrawal at any time if, in the judgment of the rating agency, circumstances so warrant. There is no assurance that any such ratings will continue for any period of time or that it will not be revised or withdrawn. A downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Davenport & Company LLC, Richmond, Virginia, serves as financial advisor to the City with respect to the sale of the Bonds. The financial advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds by the City.

CONTINUING DISCLOSURE

The City desires to assist the purchasers of the Bonds in complying with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") and has agreed to execute a Continuing Disclosure Agreement, substantially in the form attached as Appendix C, in order to provide certain annual financial information and material event notices required by the Rule. As described in Appendix C, such undertaking requires the City to provide only limited information at specified times. The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide certain annual financial information and material event notices.

As of the date of this Official Statement, the SEC has recognized the following entities as nationally recognized municipal securities information repositories ("NRMSIRs"):

Bloomberg Municipal Repositories

100 Business Park Drive
Skillman, New Jersey 08558
Telephone: (609) 279-3225
Facsimile: (609) 279-5962
E-Mail: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street, 45th Floor
New York, New York 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

DPC Data Inc.

One Executive Drive
Fort Lee, New Jersey 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street
New York, New York 10038
Telephone: (212) 771-6999
Facsimile: (212) 771-7390 (Secondary Market Information)
Facsimile: (212) 771-7391 (Primary Market Information)
E-Mail: NRMSIR@FTID.com

No state information depository ("SID") has been created for the Commonwealth of Virginia. If, however, a SID is hereafter created for such state, the City is obligated to make filings and provide notices to the SID as required by the Rule. Investors and other interested persons may contact any NRMSIR for additional information concerning its services. The City makes no representation as to the scope of the services provided to the secondary market by any NRMSIR or as to the cost for the provision of such services by any NRMSIR.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not representations of fact. No representation is that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

The attached Appendix A setting forth the financial statements of the City as of June 30, 2004, and for the fiscal year then ended, have been audited, to the extent set forth in their report included therein by PBGH, LLP, Independent Certified Public Accountants, Harrisonburg, Virginia, and are included in reliance upon the report of such firm. Appendix A is an integral part of this Official Statement and must be read together with the balance of this Official Statement.

The distribution of this Preliminary Official Statement has been duly authorized by the City Council. The City has deemed this Preliminary Official Statement final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule.

CITY OF FAIRFAX, VIRGINIA

By _____
City Manager

APPENDIX A

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

APPENDIX B

FORM OF BOND COUNSEL OPINION

FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of opinion of bond counsel. It is preliminary and subject to change prior to delivery of the Bonds.

Mayor and Council
City of Fairfax
Fairfax, Virginia

City of Fairfax, Virginia
\$_____ General Obligation School Bonds
Series 2005

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the City of Fairfax, Virginia (the "City"), of its \$_____ General Obligation School Bonds, Series 2005 (the "Bonds"). Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants").

Based on the foregoing, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, and constitute valid and binding obligations of the City, and its Council is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and interest on the Bonds.

2. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

3. Under current law, interest, including accrued original issue discount ("OID"), on the Bonds (a) is not included in gross income for Federal income tax purposes and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for Federal income tax purposes) subject to the alternative minimum income tax, such interest, including accrued OID, is taken into account in determining adjusted current earnings for purposes of computing such tax. The opinion set forth in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the City to comply with the Covenants, among other things, could cause interest, including accrued OID, on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. In the case of the Bonds maturing in the years 20__ through 20__ (the "OID Bonds"), the difference between (i) the stated principal amount of each maturity of the OID Bonds and (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of such maturity is sold will constitute OID; OID will accrue for Federal income tax purposes on a constant yield-to-maturity method; and a holder's basis in such a Bond will be increased by the

amount of OID treated for Federal income tax purposes as having accrued on the Bond while the holder holds the Bond. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

4. Under current law, interest, including accrued OID, on the Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated _____, 2005, and its Official Statement dated _____, 2005, that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated _____, 2005 (the "Disclosure Agreement"), is executed and delivered by the City of Fairfax, Virginia (the "Issuer"), in connection with the issuance by the Issuer of its \$_____ General Obligation School Bonds, Series 2005 (the "Bonds"). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and in order to assist the purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission by providing certain annual financial information and material event notices required by the Rule (collectively, "Continuing Disclosure").

Section 2. Annual Disclosure. (a) The Issuer shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the Issuer of the type described in the section of the Issuer's Official Statement dated _____, 2005, entitled "Operating Data."

If the financial statements filed pursuant to Section 2(a) are not audited, the Issuer shall file such statements as audited when available.

(b) The Issuer shall provide, or cause to be provided, annually the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 180 days after the end of the Issuer's fiscal year, commencing with the Issuer's fiscal year ending June 30, 2006, to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository if any then exists ("SID").

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to each NRMSIR and to the SID or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the Municipal Securities Rulemaking Board (the "MSRB").

(d) The Issuer shall provide, or cause to be provided, in a timely manner to each NRMSIR or the MSRB and to the SID notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. The Issuer shall provide, or cause to be provided, in a timely manner to each NRMSIR or the MSRB and to the SID notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- (g) modifications to rights of Bondholders;
- (h) bond calls;
- (i) defeasance of all or any portion of the Bonds;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

Section 4. Termination. The obligations of the Issuer will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The Issuer shall within a reasonable time thereafter send to each NRMSIR and the SID a description of such modification(s).

Section 6. Defaults. (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Issuer's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

Section 7. Additional Disclosure. The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 8. Counterparts. This Disclosure Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9. Governing Law. This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

CITY OF FAIRFAX, VIRGINIA

Mayor, City of Fairfax, Virginia

City Manager, City of Fairfax, Virginia

APPENDIX D

OFFICIAL NOTICE OF SALE AND BID FORM

OFFICIAL NOTICE OF SALE

CITY OF FAIRFAX, VIRGINIA

\$44,800,000*

GENERAL OBLIGATION SCHOOL BONDS SERIES 2005

Electronic bids only will be received by the City of Fairfax, Virginia (the "City"), in accordance with this Official Notice of Sale until 10:30 a.m., Local Time, on _____, _____, 2005 (the "Date of Sale"). In the case of a malfunction in submitting an electronic bid, facsimile bids will be allowed, as more fully described below.

Immediately thereafter, the bids will be publicly announced, and award will be made to the successful bidder, subject to the provisions described in this Official Notice of Sale.

Bid Submission

Solely as an accommodation to bidders, electronic bids via BIDCOMP/PARITY (the "Electronic Bidding System") will be accepted in accordance with this Official Notice of Sale. The City is using BIDCOMP/PARITY as a communication mechanism to conduct the electronic bidding for the sale of \$44,800,000* General Obligation School Bonds, Series 2005 (the "Bonds"), as described herein. To the extent any instructions or directions set forth in BIDCOMP/PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. Each bidder by submitting an electronic bid agrees (i) that it is solely responsible for all arrangements with BIDCOMP/PARITY, (ii) that BIDCOMP/PARITY is not acting as the agent of the City, and (iii) that the City is not responsible for ensuring or verifying bidder compliance with any of the procedures of BIDCOMP/PARITY. The City assumes no responsibility for, and each bidder expressly assumes the risks of and responsibility for, any incomplete, inaccurate or untimely bid submitted by such bidder through BIDCOMP/PARITY. Each bidder shall be solely responsible for making necessary arrangements to access the Electronic Bidding System for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the City nor the Electronic Bidding System shall have any duty or obligation to provide or assure such access to any bidder, and neither the City nor BIDCOMP/PARITY shall be responsible for proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, BIDCOMP/PARITY. For further information about BIDCOMP/PARITY, potential bidders may contact i-Deal at 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021.

Solely, in the event of a malfunction of the Electronic Bidding System, facsimile transmission bids will be accepted up to 10:30 a.m., Local Time, on the Date of Sale. In the case of a malfunction, bidders should use the following telecopier number: (804) 697-2910 (Attention: Kyle Laux). Facsimile transmissions received after the deadline will be rejected. It is the responsibility of the bidder to ensure that the facsimile bid is legible, that the facsimile bid is received not later than 10:30 a.m., Local Time, and that the bid is sent to the telecopier number set forth above. Illegible facsimile transmissions shall be rejected. Davenport & Company LLC, the City's financial advisor (the "Financial Advisor"), will verify receipt of each bid submitted through facsimile transmission by contacting each bidder by telephone once the bid has been received. The Financial Advisor will in no instance correct, alter or in any way change bids submitted through facsimile transmission. Neither the City nor its Financial Advisor will be responsible for bids submitted by facsimile transmission not received in accordance with the provisions of this Official Notice of Sale. Bidders electing to submit bids via facsimile transmission will bear full and complete responsibility for the transmission of such bid.

Each bid must be unconditional.

*Preliminary, subject to change.

Principal Redemption

The Bonds will be general obligation bonds of the City, dated the date of issuance (the “Dated Date”) and will mature serially or be subject to mandatory sinking fund redemptions on [January 15] in the following years and amounts, subject to the adjustments described below.

<u>Due [January 15]</u>	<u>Principal Amount*</u>	<u>Due [January 15]</u>	<u>Principal Amount*</u>
2007	\$	2022	\$
2008		2023	
2009		2024	
2010		2025	
2011		2026	
2012		2027	
2013		2028	
2014		2029	
2015		2030	
2016		2031	
2017		2032	
2018		2033	
2019		2034	
2020		2035	
2021		2036	

Adjustment of Aggregate Principal Amount and Annual Principal Amounts

The preliminary aggregate principal amount of the Bonds and the preliminary amount of each maturity of the Bonds as set forth above (the “Preliminary Aggregate Principal Amount” and the “Preliminary Principal Amounts,” collectively the “Preliminary Amounts”) may be revised before the Bid Date. **Any such revision (the “Revised Aggregate Principal Amount” and the “Revised Principal Amounts”, collectively, the “Revised Amounts”) will be published on Thomson Municipal Market Monitor (“TM3”) (www.tm3.com) not later than 1:00 p.m., New York time, on the last business day prior to the Bid Date.** In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and to select the winning bidder.

After selecting the winning bid, the City will determine the final aggregate principal amount and the final principal amount of each maturity of the Bonds (the “Final Aggregate Principal Amount” and the “Final Principal Amount,” collectively, the “Final Amounts”). In determining the Final Amounts, the City will not reduce or increase the Revised Principal Amount of any maturity by more than 10% of such amount or \$100,000, whichever is greater. The successful bidder may not withdraw its bid or change the interest rates bid or the initial reoffering prices as a result of any changes made to the Revised Amounts made within 24 hours after the deadline for receipt of bids. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount, original issue discount/premium, if any, and any applicable bond insurance premium, but will not change the per bond underwriter’s discount (including any applicable bond insurance premium) as calculated from the bid and the reoffering prices supplied after the bid to the City’s bond counsel as required herein. The interest rate specified by the successful bidder for each maturity at the initial reoffering price will not change.

Serial Bonds, Term Bonds and Mandatory Sinking Fund Redemptions

Bidders may provide in the bid form for all of the Bonds to be issued as serial Bonds or may designate consecutive annual principal amounts of the Bonds to be combined into not more than three Term Bonds. In the event that a bidder chooses to specify a Term Bond, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on [January 15] of the first year which has been combined to form such Term Bond

*Preliminary, subject to change.

and continuing on [January 15] in each year thereafter until the stated maturity of such Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the amortization schedule above, as adjusted in accordance with the provisions described above under the caption "Adjustment of Aggregate Principal Amount and Annual Principal Amounts." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Bonds of the maturity being redeemed.

Authorization; Use of Bond Proceeds; Security

As described in more detail in the City's Preliminary Official Statement dated _____, 2005, the Bonds are being issued to provide funds, together with other available funds, to undertake a program of capital improvement projects for the public school system of the City. The Bonds were authorized by referendum held on November 2, 2004, and are issued pursuant to the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended), and a resolution adopted by the City Council on October 25, 2005. The Bonds will be general obligations of the City, secured by a pledge of the City's full faith and credit and unlimited taxing power.

Description of the Bonds; Book-Entry Only System

The Bonds will be issued by means of a book-entry system with no distribution of physical Bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), or its nominee, and immobilized in its custody. The book-entry system will evidence beneficial ownership of the Bonds in principal amounts of \$5,000 or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Bond certificates registered in the name of Cede & Co. will be deposited with DTC. Interest on the Bonds will be paid semiannually on [January 15] and [July 15], beginning [July 15, 2006], and principal on the Bonds will be paid annually on [January 15], beginning [January 15, 2008], to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be prepared, executed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that case, either a successor depository will be selected by the City or Bond certificates will be prepared, executed and delivered.

Optional Redemption

The Bonds maturing on or after [January 15], ____, are subject to redemption prior to the maturity at the option of the City on and after [January 15], ____, in whole or in part (in increments of \$5,000) at any time, upon payment of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are called for redemption, the Bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as may be determined to be in the best interest of the City. If less than all of the Bonds of a particular maturity are called for redemption, DTC or any successor securities depository will select the Bonds to be redeemed pursuant to its rules and procedures or, if the book-entry system is discontinued, the Bonds to be redeemed will be selected by the City Treasurer, who has been appointed registrar (the "Registrar"), by lot in such manner as the Registrar in its discretion may determine. In either case, each portion of the \$5,000 principal amount is counted as one Bond for such purpose. The City will cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner thereof. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of

redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion shall be issued to the registered owner upon the surrender thereof.

Bidding Rules; Award of Bonds

Bidders may only bid to purchase all of the Bonds. Bidders are invited to name the rate or rates of interest per annum which the Bonds are to bear in multiples of one-twentieth (1/20th) or one-eighth (1/8th) of one percent. All Bonds maturing on the same date must bear interest at the same rate. Any number of rates may be named provided that (a) the highest rate of interest may not exceed the lowest rate of interest by more than 3 percentage points, and (b) the highest rate of interest stated for any maturity may not exceed 6% per annum. No bid for less than par shall be considered. The City reserves the right to reject any or all bids (regardless of the interest rate bid), to reject any bid not complying with this Official Notice of Sale and, so far as permitted by law, to waive any irregularity or informality with respect to any bid or the bidding process.

As promptly as reasonably possible after the bids are received, the City will notify the bidder to whom the Bonds will be awarded, if and when such award is made. Such bidder, upon such notice, shall advise the City of the initial reoffering prices or yields to the public of each maturity of the Bonds and details regarding the anticipated use of a municipal bond insurance policy, if any, in connection with the Bonds. The successful bidder must sell to the public 10% or more in par amount of the Bonds from each maturity at such initial reoffering prices or yields.

All bids will remain firm for a period of no less than five hours after the time specified for the opening of bids. An award of the Bonds, if made, will be made by the City within such five hour period or, with the express consent of the bidders, such longer time period as deemed necessary.

Unless all bids are rejected, the Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale and submitting a bid which provides the lowest “true” interest cost to the City. True interest cost shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the Dated Date and to the bid price. If more than one bid offers the same lowest true interest cost, the successful bid will be selected by the City Manager by lot.

Credit Enhancement

Bids for the Bonds shall not be conditioned upon obtaining insurance or any other credit enhancement. If a bidder proposes to obtain a policy of municipal bond insurance or any other credit enhancement, any such purchase of insurance or commitment therefor shall be at the sole option and expense of the bidder, and the bidder must pay any increased costs of issuance of the Bonds as a result of such insurance or commitment. Any failure by the bidder to obtain such a policy of insurance shall not in any way relieve such bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

Good Faith Deposit

All bidders must submit a good faith deposit as security for the compliance with a bid proposal in the form of a financial surety bond in the amount of \$448,000 (the “Surety Bond”). The Surety Bond must be issued by an insurance company the claims paying ability of which is rated AAA by Standard & Poor’s Corporation and that is licensed to issue such a bond in the Commonwealth of Virginia, and must name the City as the beneficiary. The Surety Bond must identify the bidder whose deposit is guaranteed by the Surety Bond. Once the successful bidder has been determined, such bidder shall wire transfer to the City \$448,000 in immediately available funds not later than 12:00 noon (Virginia time) on the business day next succeeding the Date of Sale. In the event that the City has not received such federal funds wire transfer by the time stated, the City may draw upon the Surety Bond to satisfy the successful bidder’s deposit requirements.

All bidders must submit a Surety Bond by 10:00 a.m. on the Date of Sale to the Financial Advisor at Davenport & Company LLC, 901 East Cary Street, Richmond, Virginia 23219 (Attention: Kyle Laux).

Information from and Certificate of Winning Bidder

THE SUCCESSFUL BIDDER MUST, BY FACSIMILE TRANSMISSION OR OVERNIGHT DELIVERY RECEIVED BY THE CITY WITHIN 24 HOURS AFTER RECEIPT OF THE BIDS FOR THE BONDS, FURNISH THE FOLLOWING INFORMATION TO HUNTON & WILLIAMS LLP TO COMPLETE THE OFFICIAL STATEMENT IN FINAL FORM, AS DESCRIBED BELOW:

- A. The offering prices for the Bonds (expressed as the price or yield per maturity).
- B. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields described in Subpart A above).
- C. The identity of the underwriters if the successful bidder is a part of a group or syndicate.
- D. Any other material information necessary to complete the Official Statement in final form but not known to the City.

Prior to the delivery of the Bonds, the successful bidder shall furnish to the City a certificate in form acceptable to bond counsel, to the effect that the successful bidder has made a bona fide public offering of the Bonds at the initial public offering prices set forth in such certificate and that a substantial amount of the Bonds of each maturity were sold to the public (excluding bond houses, brokers and other intermediaries) at such initial public offering prices. Such certificate shall state that (1) it is made on the best knowledge, information and belief of the successful bidder and (2) 10% or more in par amount of the Bonds of each maturity was sold to the public at the initial public offering price (such amount being sufficient to establish the sale of a substantial amount of the Bonds).

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with the terms of its bid. The City will assume responsibility for the expense of the initial printing of CUSIP numbers; provided, however, that the City assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers. All expenses in connection with the assignment of CUSIP numbers shall be paid by the successful bidder. It shall be the obligation of the successful bidder to furnish to DTC an underwriter questionnaire and to the City the CUSIP numbers for the Bonds within two business days following the date of award.

Official Statement

The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the final Official Statement within seven business days from the date of the award of the Bonds, as specified in Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC") and the rules of the MSRB provided that minor delays in furnishing such final Official Statement will not be a basis for failure to pay for and accept delivery of the Bonds. Additional copies will be made available at the successful bidder's request and expense. The City assumes no responsibility or obligation for the distribution or delivery of the Official Statement to anyone other than the successful bidder.

The successful bidder, by executing the Official Bid Form, agrees to provide one copy of the Official Statement to at least one Nationally Recognized Municipal Securities Information Repository ("NRMSIR") within the meaning of the Rule upon receipt of the Official Statement from the City and two copies of the Official Statement (with any required forms) to the MSRB or its designee no later than ten business days following the Date of Sale. The successful bidder shall notify the City as soon as practicable of (1) the date which is the end of the underwriting period (such "underwriting period" is described in the Rule), and (2) the date of filing the Official Statement with a NRMSIR and MSRB or its designee.

If the Bonds are awarded to a syndicate, the City will designate the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Official Statement to each participating underwriter.

Any underwriter executing and delivering a bid form with respect to the Bonds agrees thereby that if its bid is accepted it shall accept such designation and shall enter into a contractual relationship with all participating underwriters for the purposes of assuring the receipt and distribution by each such participating underwriter of the Official Statement, unless another firm is so designated by the syndicate in writing and approved by the City.

Legal Opinion

The approving opinion of Hunton & Williams LLP, Richmond, Virginia, with respect to the Bonds will be furnished to the successful bidder at the expense of the City and will state that the Bonds constitute valid and legally binding obligations of the City and that its City Council is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay the principal of and premium, if any, and interest on the Bonds as the same become due.

Federal and State Securities Laws

No action has been taken to qualify the Bonds under the federal securities laws or the securities blue sky laws of any state.

Tax Exemption

The Preliminary Official Statement relating to the Bonds contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the Bonds and a discussion of the opinion of Hunton & Williams LLP insofar as it concerns such exclusion.

Delivery of the Bonds

The Bonds will be delivered at the expense of the City in New York, New York, through the facilities of DTC on or about _____, 2005.

Concurrently with the delivery of the Bonds, the City will furnish to the successful bidder without cost (a) a certificate dated the date of delivery of the Bonds, signed by the officers who signed the Bonds and stating that no litigation is then pending or, to their knowledge, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of ad valorem taxes and (b) certificates dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that the descriptions and statements in the Official Statement (except in the sections entitled "Book-Entry-Only System" and in the column "Price/Yield" on the inside cover), on the date of the Official Statement and on the date of delivery of the Bonds, were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading. Such certificates will also state, however, that such City officials did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than the City and its officers but they have no reason to believe that such information is not accurate.

Continuing Disclosure

To assist the successful bidder in complying with the Rule, the City will agree, pursuant to the Continuing Disclosure Agreement, to provide certain annual financial information and operating data and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement for the Bonds and will also be set forth in the final Official Statement for the Bonds (See Appendix C of the Preliminary Official Statement dated _____, 2005).

Change of Date and Time for Receipt of Bids

The City expects to take bids on the Bonds on the Date of Sale. However, the City reserves the right to postpone the date and time established for the receipt of bids. Any such postponement will be announced by the TM3 newswire, or any other such service. If the receipt of bids is postponed, any alternative date for receipt of bids will be announced via the TM3 newswire, or any other such service, at least three business days prior to such

alternative sale date. Any bidder must submit a bid for the purchase of the Bonds on such alternative sale date in conformity with the provisions of this Official Notice of Sale, except for any changes announced via the TM3 newswire, or any other such service, as described therein.

Additional Information

For further information relating to the Bonds and the City, reference is made to the City's Preliminary Official Statement. The City has deemed the Preliminary Official Statement to be final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule. The Official Bid Form and the Preliminary Official Statement may be obtained from the City's Financial Advisor, Davenport & Company LLC, 901 East Cary Street, 11th Floor, Richmond, Virginia 23219 (telephone 804-697-2913).

CITY OF FAIRFAX, VIRGINIA

By: Robert L. Sisson
City Manager

Dated: _____, 2005

OFFICIAL BID FORM

Electronic bids (or facsimile bids as provided in the Official Notice of Sale) must be submitted by 10:30 am, Local Time.

To: City Manager of the City of Fairfax, Virginia _____, 2005
c/o Davenport & Company LLC
Richmond, Virginia 23219
Attention: Kyle Laux

On behalf of the firm(s) listed below and pursuant to the terms and conditions listed in the City's Official Notice of Sale, we offer to purchase the \$44,800,000* General Obligation School Bonds, Series 2005 (the "Bonds"), of the City of Fairfax, Virginia, dated the date of issuance. This offer is made for all of the Bonds and for not less than all, maturing on [January 15] in the years shown below. The schedule of maturities and interest rates upon which this bid is based are as follows:

Maturity	Preliminary Principal Amount*	Revised Principal Amount**	Rate	Maturity	Preliminary Principal Amount*	Revised Principal Amount**	Rate
2007	\$	\$	%	2022	\$	\$	%
2008				2023			
2009				2024			
2010				2025			
2011				2026			
2012				2027			
2013				2028			
2014				2029			
2015				2030			
2016				2031			
2017				2032			
2018				2033			
2019				2034			
2020				2035			
2021				2036			

(CROSS OUT THE SERIAL BOND MATURITIES BEING BID AS TERM BONDS.)

Term Bonds (Optional - No More Than Three Term Bonds)

First Year of Mandatory Redemption	Year of Maturity	Total Principal Amounts	Rate
			%
			%

(LEAVE BLANK IF NO TERM BONDS ARE SPECIFIED)

We will pay \$ _____, which is not less than par (representing a premium of \$ _____), and will accept delivery of the Bonds by means of a book-entry system at The Depository Trust Company, New York, NY.

We have posted a surety bond in the amount of \$448,000. If awarded the bid, we will deliver to the City \$448,000 in good faith money by 10:30 a.m., Local Time, on the next business day immediately following the date of award, or the City will draw upon the surety bond and apply it in accordance with the Official Notice of Sale against any loss resulting from the successful bidder failing to comply with the terms of this bid.

The good faith money will be deposited and credited on the purchase price, and no interest will be credited thereon to the successful bidder. The good faith money will be retained by the City as liquidated damages in case the successful bidder fails to accept delivery of and pay for the Bonds.

The undersigned hereby acknowledges receipt and review of the Preliminary Official Statement referred to in the Official Notice of Sale. Respectfully submitted,

(Name of Bidding Firm) (Authorized Signature) (Name & Phone Number of Contact Person)

NO ADDITION OR ALTERATION, EXCEPT AS PROVIDED ABOVE, SHOULD BE MADE TO THIS BID.

(NOTE - The following is stated for information only and is not part of this bid: The true interest cost of this bid, calculated in accordance with the Official Notice of Sale, is _____ % (to six decimal places).

A list of the members of our syndicate is attached.)

*Preliminary, subject to change.

**As provided in the Official Notice of Sale, the winning bidder will be determined on the basis of offers submitted in accordance with the Revised Aggregate Principal Amount and Revised Principal Amount (for individual maturities), both of which are subject to adjustment in the final bond sizing.

SAMPLE MOTION

**“I MOVE TO APPROVE A RESOLUTION AUTHORIZING THE
ISSUANCE AND SALE OF GENERAL OBLIGATION SCHOOL BONDS
IN THE MAXIMUM PRINCIPAL AMOUNT OF \$44,800,000.”**